

July '47

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DUN'S REVIEW

THIRTY FIVE CENTS PUBLISHED BY DUN & BRADSTREET, INC. JULY 1947

July '47

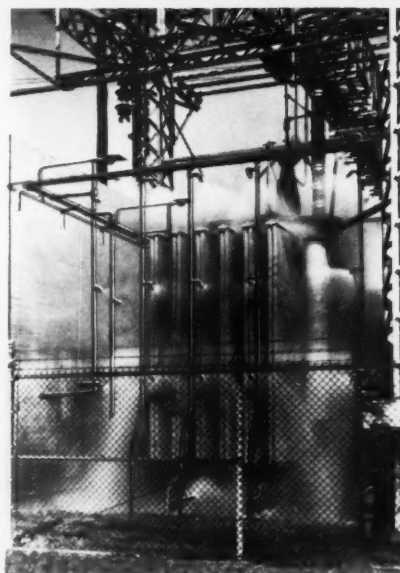


FOR *High Voltage* ELECTRICAL TRANSFORMERS

Electrical transformers, oil circuit breakers, switches, voltage regulators — all of them "power servants" of industry upon which business continuity depends. Fire can interrupt their transmission of power with deliberate suddenness. That's why far-sighted utility engineers, realizing the overload on present facilities; and knowing of the long term delivery dates being quoted on replacements, are turning to "**Automatic**" **FIRE-FOG** for essential fire protection.

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"Automatic" Sprinkler devices and systems are listed by Underwriters' Laboratories, Inc., and approved by Factory Mutual Laboratories.

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**you rub elbows
everywhere
with Panelyte,
the St. Regis plastic**

The modern surfacing material for the tops of tables, bars and kitchen cabinets is lustrous, durable plastic... highly decorative, very easy to clean.

It may be news to you that this type of plastic is made of paper... many thicknesses of resin-impregnated paper welded by heat and terrific pressure into a dense, permanent material.

Known by the tradename of "Decorative Panelyte," this structural laminated plastic is made by St. Regis and is supplied to manufacturers of modish as well as utilitarian furniture and fixtures. You may be "rubbing elbows" every day with this St. Regis product... in your home or club, hotel or cafe, on trains or planes.

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In its 43 plants throughout North and South America, St. Regis also manufactures: Heavy-duty multiwall paper bags for shipping over 400 products... Automatic bag filling machines... Printing, publication and specialty papers... "Tacoma" bleached and unbleached sulphate pulp.

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One of a series of advertisements showing the importance to American industry of the underwriting and distribution of investment securities.



THE DOOR IS OPEN

Today's most widely used vacuum cleaner is a product of The Hoover Company. Such leadership has not been attained overnight — it is the result of 39 years of planned effort. . . . In its financial planning The Hoover Company has utilized the facilities of Smith, Barney & Co. for underwriting and distributing securities to the advantage of the company and its security holders.

The door has never closed on Hoover

Most of us have heard of the "open door" policy in the relationship of nations, but we hardly associate it with the vacuum cleaner salesman. Yet, the success of The Hoover Company is proof that the American housewife's door has been open to them since 1908.

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To meet today's increased demand for the company's products requires capacity operation of plants in Ohio, New Jersey, Canada, England, Scotland, thus creating thousands of jobs. By lightening the daily work of millions of housewives, the growth of Hoover has made important contributions to the nation's standard of living. All this is the result of wise, conservative, forward-looking planning by the Hoover management.

An implement of growth

That planning extended as a matter of course to sound financing policy. Hence, when the company desired in 1943 to review its financial plans, it used the facilities of Smith, Barney & Co. in association with another invest-

ment firm. Working closely with the management a three-part plan was recommended. First, to simplify the capital structure two classes of outstanding common stock were replaced by a single issue of common stock. In view of the prevailing favorable money market, and in order to effect an improvement in the earnings position of the common stock the then outstanding preferred shares were exchanged for a new class of preferred stock bearing a lower dividend rate. At the same time arrangements were made for public distribution of part of the preferred and common shares owned by the Hoover family.

This broader distribution of Hoover securities afforded an outlet for the investment of savings and brought to the company the advantages accruing from a personal interest on the part of the public — the ultimate purchaser of industry's production.

An open door for you

All American enterprise has at its disposal today the experience and advice of the security underwriting profession. The facilities of Smith, Barney & Co. are available to American industry wherever sound growth may be implemented by sound financial counsel.

Copies of a booklet, "What Smith, Barney & Co. Offers You," may be obtained by addressing Smith, Barney & Co., 14 Wall Street, New York 5, N. Y., Department M.

Smith, Barney & Co.

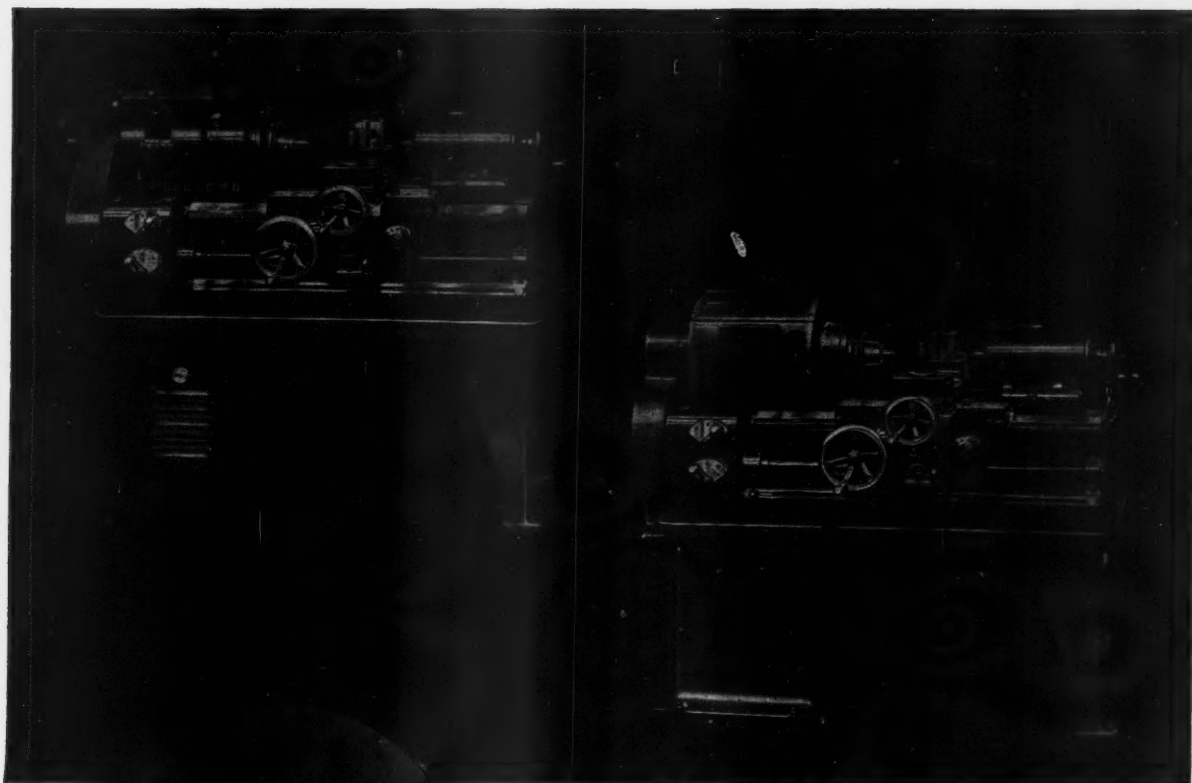
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Rapid Production Lathes*

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- Wide variety of spindle speed ranges.
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- One-piece apron with positive jaw feed clutch and one-shot lubrication.
- Multiple automatic length stops.
- Standard tapered key-drive spindle nose.

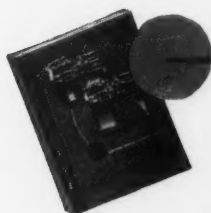
These speedy lathes are LeBlond precision built to produce fast, accurate metal turning. They're ideal for plain turning, facing, boring of aluminum, brass, bronze, magnesium, plastics . . . for any short cycle operation of seconds duration. Will perform standard ferrous metal turning as well. Flame hardened and ground steel bed ways now standard. Rapid Production lathes available in 3 sizes: 13" (with 3 optional headstock models), 17", and 20".

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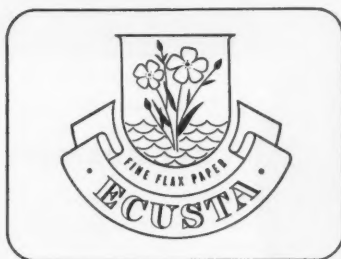
FOR THE VERY LATEST in modern lathes, be sure to see our complete line in action at the Machine Tool Show, Chicago Dodge Plant, September 17-26. You're always welcome at the LeBlond booth—No. 507—conveniently located close to the main entrance.



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Not all of these coins have the same face value, but they all have one thing in common. They all have an *Unseen Friend* in Nickel.

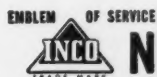
For coins must be made of a metal not too hard to be stamped out...yet hard enough not to wear out. They must be easy to mint, difficult to counterfeit. And they

must keep a pleasing color through the years.

Just one more way Nickel is *Your Unseen Friend*. It's "Unseen" because Nickel is usually combined with other metals and you seldom see it in its pure state. It's your "Friend" because it serves you often and well.

Send for your free copy of "The Romance of Nickel." Address Dept. 54.

THE INTERNATIONAL NICKEL COMPANY, INC.
New York 5, N. Y.



Nickel

...Your Unseen Friend

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JULY 1947

WORLD CURRENCIES *Harry D. White, former executive director of the International Monetary Fund, will present in a coming number of DUN's REVIEW a full account of the operation of the fund during its first year of existence. This is a natural sequence to the article by Mr. McCloy on the World Bank in this issue.*

BUSINESS OUTLOOK *Sumner H. Slichter, Professor of Economics at Harvard University, will analyze to-day's business outlook in the August DUN's REVIEW. He will consider such questions as to whether the recession is about to arrive and, if so, what it will bring about, how soon it may be expected, and how severe it may be.*

INVENTORIES *Business inventories appear in a new chart prepared by DUN & BRADSTREET, INC. Manufacturing, wholesale, and retail inventories and sales are given for each month over the past nine years. Since a proper balance between inventories and sales is of considerable importance in the operation of a business, the inventories-sales ratios are shown for March of each year since 1939.*

The rapid rise in inventories in recent months was accompanied by a marked increase in sales volume. The value of inventories at the end of the first quarter of 1947 was approximately double that of the corresponding period in 1939, but average monthly sales nearly tripled over the eight years. The faster rise in sales than in inventories is reflected in the decline in the inventories-sales ratios during the war years. While the ratios have risen sharply since the war they have not reached 1939 levels.

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DUN'S REVIEW, July 1947. Published monthly by DUN & BRADSTREET, INC., 290 Broadway, New York 8, N. Y. Volume 55, No. 2231. Copyright 1947 DUN & BRADSTREET, INC. Printed in U. S. A. The frontispiece from Devaney shows a lighthouse at Cape Elizabeth, Me.

Cover

H E L D U P

ON May 10, 1869, the tracks of two great railroads met at Promontory, Utah. The Union Pacific building westward from Omaha and the Central Pacific building eastward from Sacramento joined forces at this small outpost just west of Ogden.

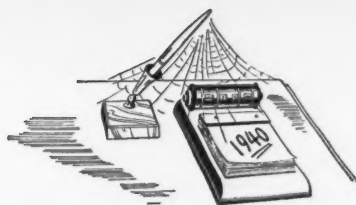
Repeated attacks by Indians slowed construction, rivalry between gangs of workers of the two companies laid many a man low, the forces and obstacles of nature challenged the engineering skill of the period as the trackage advanced across the plains, hollowed out tunnels through mountains, and bridged deep mountain ravines.

Terminal towns, or "Hell-on-Wheels," set up at the end of the tracks would provide for

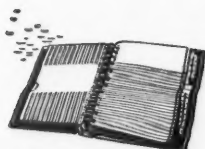
as many as 15,000 workers at a time. Brawn ruled, discipline was difficult, and many injuries from daily brawls left gaps in the work gangs.

Timber for ties, tunnel braces, and bridge spans were provided by the prime timber tracts along the western right of way, but all other material used by the Central Pacific, moving eastward through California from the Pacific, were shipped from the Atlantic seaboard around the length of South America.

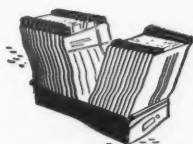
The sleek polished streamliner of to-day, whipping across mountains and over the plains at 100-mile speeds, is the blue-blooded offspring of this humble strain when herds of roving bison could stop a train.



1940 was 20 years ago!



FLEX-SITE...Visible Binders
offer large visible margins
for wide range of record sizes.



V-LINE... Posting trays
provide automatic working
"V" throughout. Eliminate
compressors... keep ledgers
in order... stuff easily.



TRA-DEX... Vertical Visible
Files with 3-way visible mar-
gins give facts at a glance.



FLOFILM... A self-contained micro-
film process. Micro-film can be
finished one hour after exposure.

CARDINEER... Rotary Card File
speeds reference and posting...
maintains control at minimum cost.

In office methods, we mean. Busy war plants just couldn't be bothered with the happy-go-lucky systems of pre-war days, when skilled office help was abundant and costs were low.

So methods advanced twenty years almost overnight—card records were put on wheels... locked-in ledger sheets were slipped into V-line slots instead... dog-eared inactive records were filed in sleek steel containers stacked ceiling-high... permanent records were microfilmed and valuable storage space released. All over the office, even out in the plant, record keeping was shifted into high gear!

Today's problems of personnel, of floor space, and of prolific record-keeping are no less acute than those of the busy war years just passed. Peacetime industry cannot return to a pre-war office overhead schedule.

With so many Diebold modern aids to office efficiency available right now, there is no longer a need to battle growing office overhead costs with outmoded weapons.

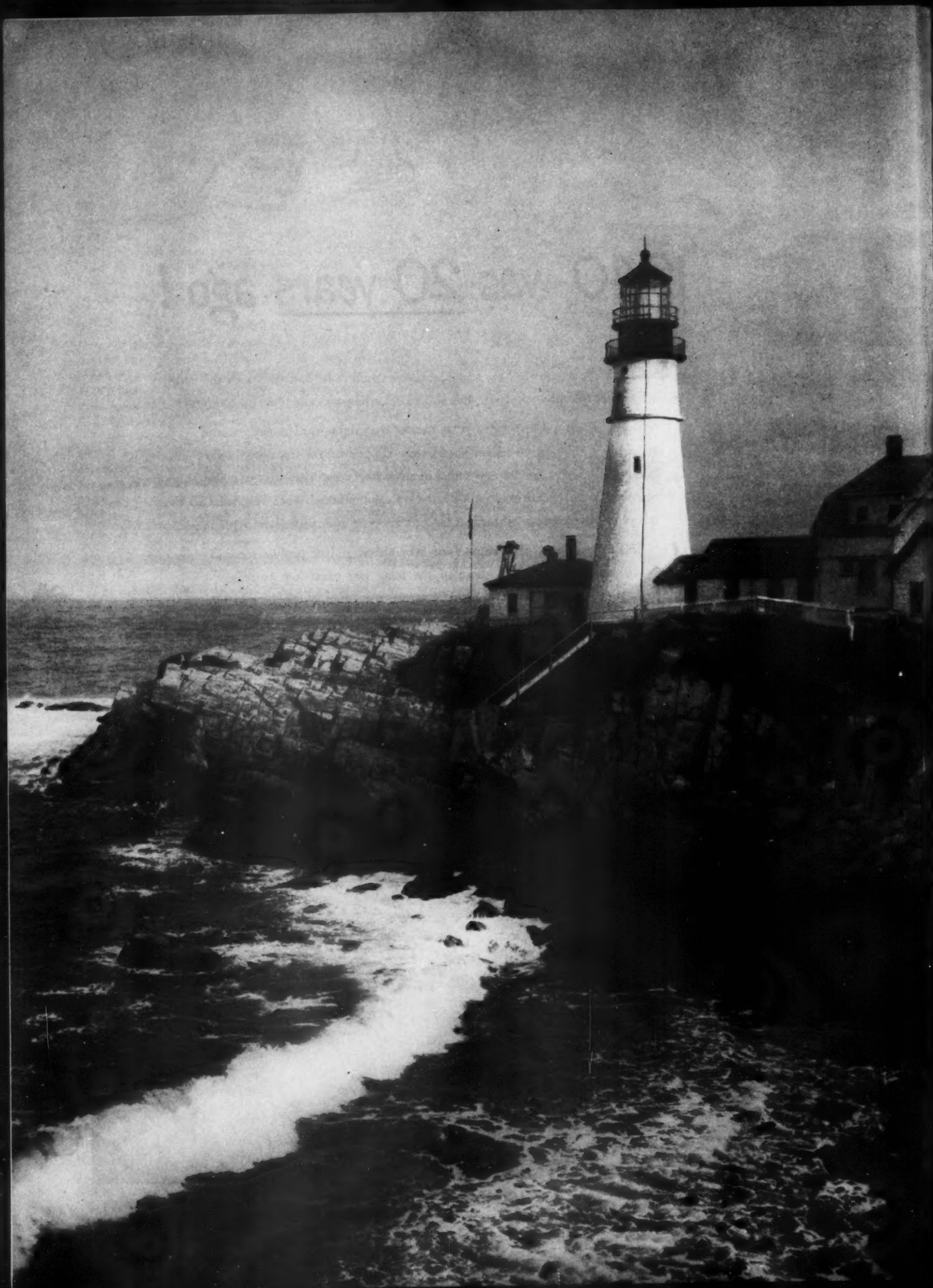
Your Diebold Man can quickly bring you important news about fitting the right equipment to the job—rotary, vertical, visible files or microfilm—can show you ways and means to meet your current office problems.

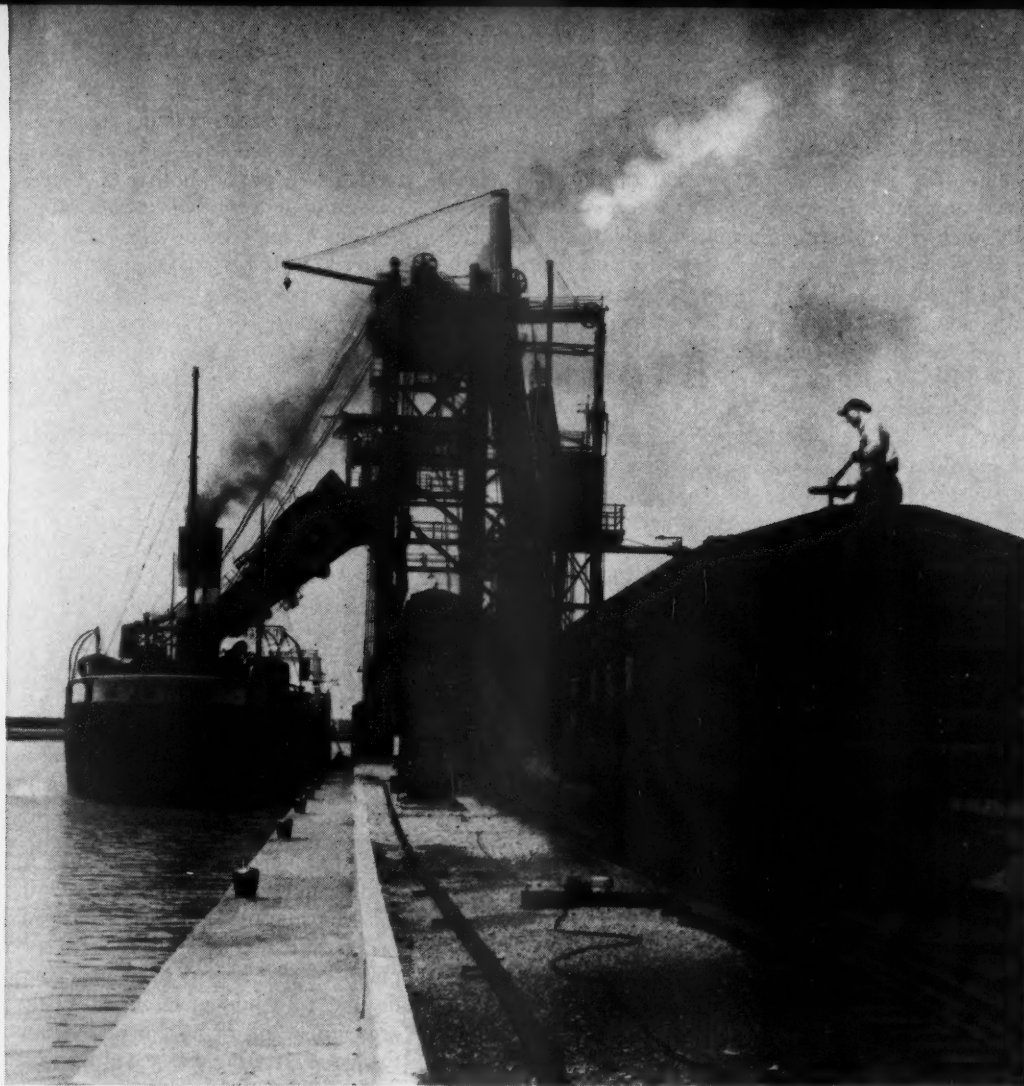
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GREAT LAKES FREIGHTER AT SANDUSKY, OHIO—MONKMEYER PHOTOGRAPH

Nine Critical Problems Facing Management

ALVIN E. DODD

President, American Management Association

IT may perhaps seem naïve to remark that after so many years of having Government as its principal customer, American business should not allow itself to become totally preoccupied with problems arising from Government-business relations.

It should be remembered that there is another set of problems whose solutions rest entirely with management. They are not the problems imposed by Government but rather problems that have always existed, and are decisive in

a system of competitive free private enterprise.

The nature of these problems comes to light very vividly in letters, inquiries, and comments received by the American Management Association. They are indicated to us by opinions offered in connection with the planning of AMA conferences, and in discussions at the conferences themselves.

While it is true that in only a few

instances are individual companies following any plan of "grand strategy," anticipation of the intense competition of the period ahead is widespread. The motive power thus seems strong enough to warrant the hope that more concerted individual programs of rehabilitation will develop.

These are the problems, as they generally seem to be recognized:

Renovation of Organization Struc-

tures—Interest in this problem is widely prevalent. Many companies have begun to realize that their organization structures are antiquated, and not up to the job of maintaining their pre-war competitive positions. In some cases, executives have freely admitted that some of their personal concepts of organization are outmoded—too much slavish belief in doctrinal ideas, line and staff, span of control, the military plan, and so on.

Finding "Par" on Manufacturing Efficiency—This is an over-all problem on whose solution all the others listed have a bearing. "Break-even" points are too high, partly—though not wholly—because for the past few years, cost controls have been almost blacked out, while cost-consciousness simply does not exist at all to any perceptible degree. In well-operated organizations, it took years, sometimes decades, to build a cost-minded organization. To-day all that great territory, figuratively speaking, is in enemy hands, and few factory managers look lightly upon the job of recapturing it.

Improved Methods of Distribution—Rationalization of marketing procedures aimed at reducing selling costs was making an encouraging start in 1940, but it was only a start. Marketing organizations are nowhere near the level of efficiency generally forced upon production departments. The many inquiries that AMA has received concerning the building of future marketing programs indicate a very earnest desire to reduce selling costs by throwing out many of the illogical procedures in warehousing, shipping, site selection, and advertising that existed prior to the war. The resolve on the part of many companies to improve their sales personnel programs is also encouraging. Let us hope that the notoriously high turnover among salesmen, the feast or famine compensation policies, and the poor training programs that formerly existed will not reappear in the post-war years.

Doing a Better Public Relations Job—This may sound like blue sky, but it can be as tangible as money in the till. A public relations job for a com-

pany simply consists in living right and telling people about it—and the former is much more important than the latter.

Learning to Communicate with Employees—Employers in America 50 years ago would have been puzzled to have this posed as a problem of business, but in 50 years, barriers of strange description have grown up between companies and their rank-and-file workers. In some instances, these barriers are of a fabric woven out of suspicion and mutual distrust, and the veil becomes darker and more impenetrable as time goes on.

The basic principle that employers must accept is that their workers are still their employees, whether they are unionized or not. Let the impulses of good-will be expressed in every form of communication that can be found; if they are not, then the barrier will grow higher and thicker.

To many workmen of to-day, the company president is still a mythical figure completely surrounded by a Cadillac. If management has something to say to employees, it should say it itself in its own name and right out in the open.

Personnel activity in the modern corporation—that activity of management dealing with human resources—is the most important management function to-day. Operating executives who are leaders in their field are virtually unanimous in saying that skill, experience, and aptitude for human relations is a greater requisite than special technical knowledge of any sort or to any degree.

A Fair Day's Work for a Fair Day's Pay—Nearly all the rest of these problems also concern employee relations, and the first in this group is perhaps the most difficult of all. During the war years, the humane ideal of not working people too long or too arduously has been distorted; it seems to have given rise to the belief that a man should not try to earn as much as he can *while he does work*. The revela-

(Continued on page 40)

RECORDING HEAT MEASUREMENTS—PINNEY PHOTOGRAPH FROM MONKMEYER



"From all the signs, it appears that personnel adjustments made during reconversion—layoffs, transfers, downgrading, and so on—may be made on the basis of seniority alone . . . Rank-and-file employees and unions must be sold on the idea that the only fair way to select the employees who are to be rewarded is on the basis of total performance—ability, service record, and length of service."



THORNTON PHOTOGRAPH

Wall Street

PURCHASES OF BONDS BY AMERICAN INVESTORS WILL SUPPLEMENT THE LOANABLE CAPITAL FUNDS OF THE INTERNATIONAL BANK. IT IS THE HOPE OF THE BANK'S MANAGEMENT THAT THE INITIAL ISSUE OF DEBENTURES WILL BE MADE BY MID-SUMMER.



CUSHING PHOTOGRAPH

Bank of England

GREAT BRITAIN IS AMONG THE 44 NATIONS OF THE WORLD WHOSE CO-OPERATIVE EFFORTS WILL SERVE TO CHANNEL PRIVATE INVESTMENT FUNDS TO PEOPLES WHOSE NEED FOR THE TOOLS OF RECONSTRUCTION OR DEVELOPMENT IS GREATEST.

The International Bank AND HOW IT FUNCTIONS

JOHN J. McCLOY

President, The International Bank for Reconstruction and Development

THE International Bank for Reconstruction and Development is a new means of enabling private investment capital to take its place in the international field. It is the first major effort in world history to deal with problems of international investment through the co-operative efforts of many nations. The need for such an organization is also new and has arisen from the cumulative effect of two wars and a long period of economic instability between these wars.

Because of the havoc of war, many

of the countries of the world find their production systems greatly impaired. Raw materials are not available to rebuild them or to be fabricated in the still existing plants—because the peoples of these countries lack the funds to buy such materials. Other lands, untouched by bombs and the ravages of war, have not had adequate opportunity to advance to the technical production levels necessary for prosperity in the modern world. Yet the men and women of these lands must live and produce. They are possessed,

How is the International Bank organized? What is the nature of its capital? What type of loans does it grant? What restrictions are placed on their use? Ways in which the activities of this bank will directly affect American business are illustrated in the answers to these questions. The French loan serves as an example.

like all of us, with needs to be filled, hunger to be assuaged, and with a desire for a better life and greater opportunities for their children. To gain these things they are willing to work. Their primary need is for the tools with which to work.

Simply stated, the International Bank is a bridge erected by the co-operative efforts of 44 countries of the world to channel private investment funds to peoples whose need for the tools for reconstruction or development is greatest and whose use of these tools would have the most beneficial effects upon international trade.

The way in which the Bank proposes to accomplish its purposes is illustrated by its first loan. On May 9 the sum of \$250,000,000 was made available through the Bank to Credit National, a semi-public French corporation, organized for the reconstruction of France's war-torn production system and the general economy. The loan was ratified by the French National Assembly on May 23 and is guaranteed by the French Government. This type of guarantee is required by the Bank for all of its direct loans, or loans guaranteed by it.

Unusual Provisions

The loan has many unusual provisions new in the field of international investment. Unlike many foreign dollar loans of the past, the loan to Credit National is earmarked for certain productive purposes, agreed upon by the borrower and the Bank. In the hectic period of foreign lending in the middle and late 1920's this was often not the case. Many of the American dollars which found their way across the seas were used for almost anything—municipal war memorials, fountains in the city parks, and many other non-productive purposes.

The French loan agreement, on the other hand, states that the "proceeds of the Loan will be applied to the payment of the cost of purchasing and importing into the territories of the Guarantor goods which will be required and used exclusively for productive purposes—for the general reconstruction and development of the productive facilities and resources of France. The specific goods to be purchased out of the pro-

ABOUT THE AUTHOR:

As Assistant Secretary of War Mr. McCloy represented the War Department at several of the Big Three Conferences. Previously he was an expert consultant to the Secretary of War. When elected president of the International Bank in February he was a member of the law firm of Milbank, Tweed, Hope, Hadley, and McCloy. He is a graduate of Amherst and of the Harvard Law School.

MEMBER NATIONS OF THE INTERNATIONAL BANK

	Subscription (In millions of U. S. Dollars)	% of Total Subscriptions
Belgium	225	2.80
Bolivia	7	0.09
Brazil	105	1.31
Canada	325	4.05
Chile	35	0.44
China	600	7.48
Colombia	35	0.44
Costa Rica	2	0.02
Cuba	35	0.44
Czechoslovakia ..	125	1.56
Denmark	68	0.85
Dominican Republic	2	0.02
Ecuador	3.2	0.04
Egypt	40	0.50
El Salvador	1	0.01
Ethiopia	3	0.04
France	525	6.54
Greece	25	0.31
Guatemala	2	0.02
Honduras	1	0.01
Iceland	1	0.01
India	400	4.98
Iran	24	0.30
Iraq	6	0.07
Italy	180	2.24
Lebanon	4.5	0.06
Luxembourg	10	0.12
Mexico	65	0.81
Netherlands	275	3.43
Nicaragua	0.8	0.01
Norway	50	0.62
Panama	0.2	0.003
Paraguay	0.8	0.01
Peru	17.5	0.22
Philippine Republic	15	0.19
Poland	125	1.56
Syria	6.5	0.08
Turkey	43	0.54
Union of South Africa ..	100	1.25
United Kingdom ..	1,300	16.20
United States	3,175	39.57
Uruguay	10.5	0.13
Venezuela	10.5	0.13
Yugoslavia	40	0.50
TOTALS	8,024.5	100.00

ceeds of the Loan shall be determined by agreement between the Bank and the Borrower—".

The specific purposes for which the French will use the proceeds of the loan include, among others, the purchase of material for the construction of a modern continuous steel strip mill; the im-

provement of the transportation system by acquiring locomotives, freight cars, cargo ships, canal barges, and commercial airplanes; the acquisition of materials essential to industry and transport, such as coal and oil; and the procurement of industrial raw materials including semi-finished steel products and non-ferrous metals.

The International Bank is charged with the responsibility of assuring itself that the proceeds of the loan are applied to the purposes for which the loan was granted. The borrower is required to furnish to the Bank information sufficient to enable the Bank to satisfy itself that the proceeds of the loan are so applied.

Amortization Payments

Another of the heretofore unusual features of the French loan is its amortization schedule. Provisions for amortization have been tailored to fit the purposes of the loan—not to defeat them. It is obvious that the ability of France to obtain sizable amounts of dollar exchange will be limited for several years—until the economic reorganization plan has had time to work and France is producing exports in sufficient quantities to restore equilibrium to its balance of payments. The French themselves estimate that equilibrium in the franc area in transactions with the rest of the world will not come before 1950. Accordingly, there will be no amortization payments required during the first five years of the loan. Thereafter, amortization begins at a modest rate and increases gradually so that the loan is to be completely paid off at the end of its 30-year term. The average life of the loan is around 21 years.

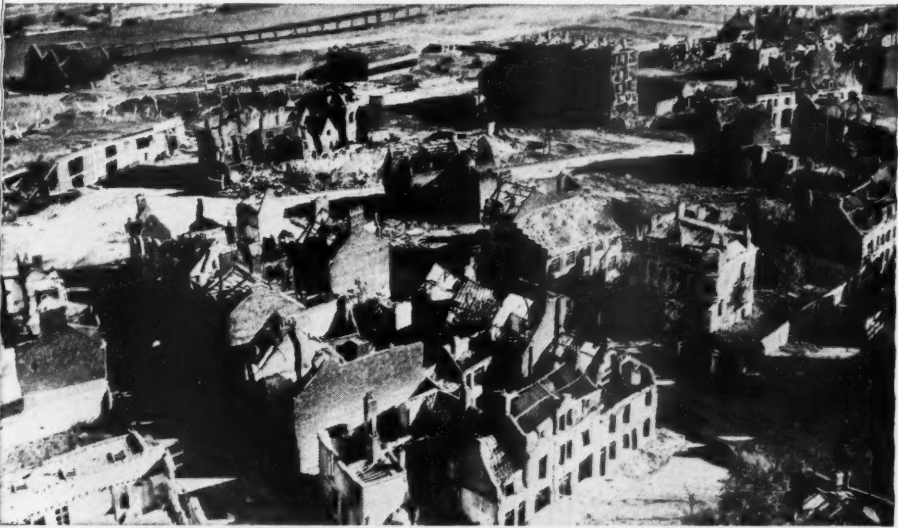
There has been much misunderstanding about the capital structure of the International Bank. Yet, that is the keystone of the Bank's operations. The capital structure is designed so that the Bank can efficiently perform its function of stimulating the flow of private investment capital. In common parlance the Bank is known as a \$8 billion bank. This is true, but not in the sense that the Bank has \$8 billion of its own funds to lend. The Bank's 44 member countries have subscribed to its capital stock for a total par value of slightly



BRITISH COMBINE PHOTOGRAPH

England

GREAT BRITAIN'S JOB OF RECONSTRUCTION IS EXEMPLIFIED IN THESE LONDON RUINS SEEN FROM THE DOME OF ST. PAUL'S CATHEDRAL. MANY CHURCHES, HISTORIC STRUCTURES, AND OFFICE BUILDINGS WERE DESTROYED BY BOMBS.



BRITISH COMBINE PHOTOGRAPH

France

TIPIFYING THE WARTIME DESOLATION IN FRANCE IS THIS VIEW OF THE DOCK AND HARBOR AREA OF CALAIS AS IT WAS FOUND WHEN THE ALLIES MARCHED IN FOLLOWING THE SURRENDER OF THE GERMAN GARRISON ON SEPTEMBER 30, 1944.



BRITISH COMBINE PHOTOGRAPH

Germany

THIS AERIAL VIEW OF THE SHATTERED RUINS OF THE SIEGFRIED LINE DEFENSES, TOWN OF CLEVE, WAS TAKEN BY AN R.A.F. PHOTOGRAPHER AFTER THE COMMUNITY HAD BEEN BOMBED BY THE R.A.F. IN FEBRUARY 1945.

more than \$8,024,000,000. They have paid in 20 per cent of that amount. The remainder forms a reserve fund which must be called in whole or in part if ever needed to meet the Bank's obligations.

The Bank's immediately loanable funds come from the 20 per cent paid-in portion of the capital subscription. This is itself divided into two parts—18 per cent, which is payable in the currency of the member country (and which can be loaned only upon obtaining the consent of that country), and 2 per cent, payable in gold or United States dollars. In the present state of the world's economy, this is the important portion so far as loans are concerned, for today the world seeks dollar exchange. In effect then, the paid-in capital subscription of the United States, plus the 2 per cent subscription in gold or dollars paid in by the other member countries, forms the initial loanable funds of the Bank, a total of about \$725,000,000, but of this substantial sum must be retained to cover the Bank's own needs and as a capital backlog. The Bank's very first loan, that to Credit National, reduced this amount by \$250,000,000, or by more than one-third.

Private Investment Needed

These figures show clearly that the Bank must find additional sources of loanable money—and at this time that means United States dollars. It is for this reason—in keeping with the Bank's purposes as they were conceived at Bretton Woods—that the Bank intends to issue debentures and sell them to institutional and private investors, initially in the United States and later, when world economic conditions improve, in other countries.

Very few individuals loan money without a good idea as to the security behind the loan—and rightly so. It is important that investors understand what will be behind the Bank's obligations. First is the loan portfolio of the Bank. The earlier description of the French loan indicates the type of lending that the Bank will do. Loans will be made only for productive purposes and with due regard to the prospects of repayment. In addition to the loan portfolio, the debentures will be backed by the Bank's cash and reserves, includ-

ing a special segregated reserve to be built up from commission charges of 1 per cent per year for at least a period of ten years on all outstanding loans. Back of these is the uncalled part of the subscribed capital of the Bank—four times the amount already paid in—and payable when called in gold, United States dollars, or the currency needed to pay the obligations for which the call is made. It is the hope of the Bank's management that the initial issue of debentures will be made before deep Summer sets in.

Among the less tangible factors which add a unique strength to the International Bank, its loans, and its debentures, is the relationship between the borrower and the lender. In a sense they are identical, for the Bank can grant loans only to its members—or to agencies sponsored by its members and backed by their guarantee. The fact that all members of the Bank are interested as stockholders in the soundness of its loans, furnishes a strong incentive not only for borrowing members to make good on their obligations to the Bank but also for all members to see that such obligations are lived up to.

World-Wide Information

Because of the international character of its organization the Bank has access to economic information of a world-wide nature. Each member country is directly represented on the Bank's board of governors. Additional representation is supplied by the twelve executive directors or their alternates who are available at the Bank's headquarters in Washington and who meet at least once weekly as a board. Finally, many member countries are represented on the Bank's staff. Thus a constant exchange of information and ideas cutting across national borders and tending to show the picture as a whole is obtained.

Although vitally interested in the economic affairs of its member countries from a business viewpoint, the International Bank is specifically restricted from political activities. The Articles of Agreement provide that the Bank shall not interfere in the political affairs of any member, and that members shall respect its international character and

shall not attempt to influence the management in the discharge of its duties.

It is evident that the activities of the Bank will be helpful to its borrowers. It is no less true that all the other nations of the world will benefit, including the United States in which the Bank initially will seek funds to supplement its loanable capital.

The United States came through the war with its productive facilities virtually intact. Its production potential increased greatly during the war years—by 50 per cent at least—so that, to-day, American productive resources are the primary source to which other countries must turn in order to obtain their own tools of production.

Domestic consumption is not enough to keep the wheels turning in the United States. Its goods must find world outlets, for prosperity cannot endure in isolation. The Bank can help to create these outlets by aiding member countries to reconstruct their economies so that they can once again take their places in international trade.

In the last analysis it is the private

and institutional investors of the United States who will determine the degree of the Bank's success. Under Public Law 171 passed by the 79th Congress the capital subscription of the United States—\$3,175,000,000—was authorized and made available. Twenty per cent of this sum has already been paid in to the Bank and may be applied to loans. Eighty per cent, or \$2,540,000,000, is a reserve callable at any time to meet the Bank's obligations. This means that in respect to debentures issued up to the latter amount the investor may, if he wishes, totally disregard the value of the Bank's portfolio of loans, the special reserve fund, and the capital call on the subscriptions of all other member nations and look only to the value of our dollar for security.

Before that point is reached, at the pace which loans specified in the Bank's Articles of Agreement can be made, investors will know much about the trend of the world economy, whether upward or downward, and whether the Bank has conducted its affairs in a manner worthy of further confidence.



STACKING GOLD BARS, BULLION OFFICE, BANK OF ENGLAND—BRITISH COMBINE PHOTOGRAPH

"BECAUSE OF THE INTERNATIONAL CHARACTER OF ITS ORGANIZATION THE INTERNATIONAL BANK HAS ACCESS TO ECONOMIC INFORMATION OF A WORLD-WIDE NATURE. EACH MEMBER COUNTRY IS DIRECTLY REPRESENTED ON THE BANK'S BOARD OF GOVERNORS. . . . MANY MEMBER COUNTRIES . . . ON THE BANK'S STAFF."



PINNEY PHOTOGRAPH FROM MONKMEYER

American Economy under Full Employment

A PATTERN FOR 1950

W. DUANE EVANS • JEROME CORNFELD • MARVIN HOFFENBERG

United States Bureau of Labor Statistics

*B*USINESS planners and executives, far more than most groups, must constantly center their attention on the future. They appreciate the iron rule that the decisions necessarily made to-day are the inevitable foundation for to-morrow's successes or failures. Expectations of future markets govern current orders for materials, production schedules, inventory plans, marketing, advertising programs, and so on. Plans for basic research and development, product design changes, plant and equipment modernization, expan-

SET the sights on 59 million jobs and see what full employment might mean to America in specific terms, in tons of steel, numbers of passenger cars, retail sales. This outline of the shape the economy of 1950 might take is the first of two articles to be presented from the monumental study of full employment by the Bureau of Labor Statistics.

sion of capacity, these are all factors with an even longer span between initial judgment and decision and the eventual period of realization.

Failure to sense the possibilities for an expanding market may mean loss in relative competitive position; equally, undue optimism may lead to heavy

losses. A feeling for the future is thus indispensable equipment for the executive, and time his most precious commodity.

This article presents several alternative outlines of the structure which the American economy might have in 1950, assuming that full employment prevails

in that year. A following article will examine the implications of these results with respect to present and future capacity in our basic industries. These articles are based on a recently completed and very detailed Bureau of Labor Statistics study which, because of space limitations, can be described here in summary fashion only.¹ Because of their necessary preoccupation with the possible shape of things to come, this study should be of particular interest to business planners and executives.

The study has several unusual features. In the first place, it results in detailed, industry-by-industry estimates of production, price, and employment levels under the assumed conditions, thus throwing into relief the positions of the separate industries. Moreover, the industry production estimates are not obtained by a series of separate and independent extrapolations, but by reference to previous experience on consumer preferences and by use of a new technique of economic analysis which emphasizes the interdependence of the separate industries. Thus, the estimates for cotton use are related to consumer demand for garments and the use of upholstery in motor vehicles. Steel production is related directly to estimated production in the industries which incorporate steel in their products.

This new technique, which brings a series of separate industry figures into a common focus, was described in DUN'S REVIEW.² The results of the study, while not prepared as forecasts, should nevertheless be helpful to business firms in preparing individual appraisals of possible future conditions. Moreover, the methods used are in many respects new, and are believed to be applicable to the marketing problems of many industries.

It should be stated at the outset that

¹ Additional details of the study may be found in a longer summary presented in "Full Employment Patterns: 1950," United States Bureau of Labor Statistics, *Monthly Labor Review*, February and March 1947. The complete study has not yet been published.

² Wassily Leontief, "The Economics of Industrial Interdependence," February 1946.

If full employment is to be achieved in 1950, investment demand or consumer demand, or both, must be greater than pre-war patterns suggest. An increase over 1939 of 80 per cent in consumer demand (Consumption Model) might alone fill the gap, or a demand for capital goods (Investment Model) two and one-half times the 1939 volume.

no unconditional forecasts for the year 1950 are made. A study of the structure of the economy under assumed full employment conditions must be distinguished from a prediction that this will occur. Indeed, an important aspect of the study is the bearing of the results on such possible obstacles to the achievement of full employment as potential deficiencies in demand, or potential deficiencies in capacity if the deficiencies in demand do not materialize.

Method of Analysis

The present study is not concerned with any perfect or ideal economy, but rather with the kind which could develop by 1950 as the result of free and unrestricted choice. The most important factors determining the character-

istics of the American economy in the future will continue to be the habits, preferences, and behavior of the American people, and it is these, as reflected in available statistics and studies, which have been used throughout as guides.

A graphic summary of the basic analytic framework of the study is provided in the chart on page 19. Beginning with the total number of jobs necessary to provide full employment in 1950, and making assumptions regarding wage rates, working hours, tax rates, and other factor payments, estimates are obtained of total purchasing power in the hands of consumers, business, and Government. Past studies of consumer purchases in relation to income, and experience with business, Government, and export purchases at various levels

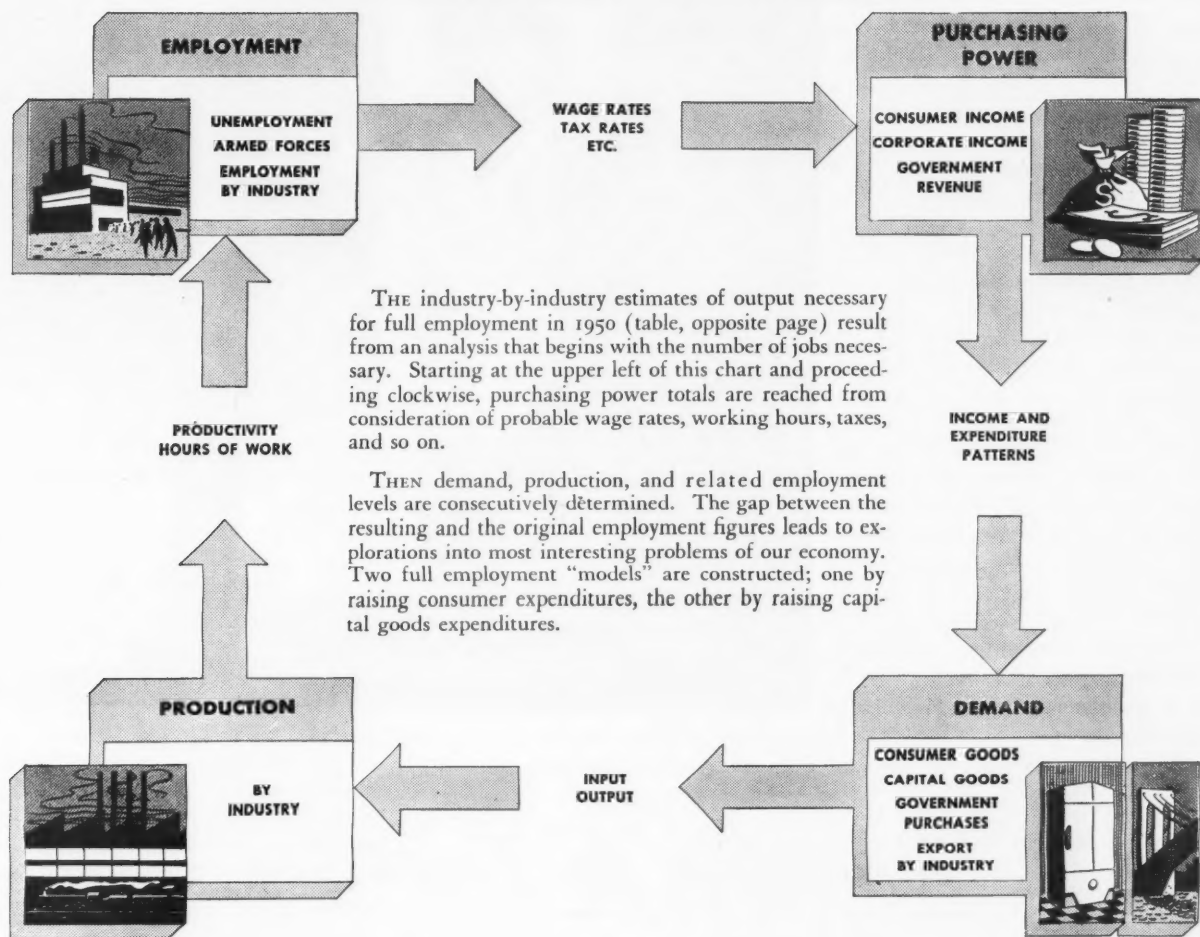
OUTPUT IN A FULL EMPLOYMENT ECONOMY

(Estimates for 1950 compared with actual in 1939)

INDUSTRY	1939 ACTUAL (Millions of 1939 Dollars)	1950 ESTIMATED		INCREASE OVER 1939	
		Consumption Model	Investment Model	Consumption Model	Investment Model
		(Millions of 1939 Dollars)	(Millions of 1939 Dollars)	(Percentages)	(Percentages)
Agriculture and Fishing	\$10,121	\$16,937	\$14,915	67	47
Food Processing	13,258	22,685	19,263	71	45
Ferrous Metals	2,593	4,824	5,927	86	129
Iron and Steel Foundry Products	492	962	1,103	96	124
Shipbuilding	437	441	476	1	9
Agricultural Machinery	439	893	1,276	103	191
Engines and Turbines	134	233	286	74	113
Motor Vehicles	2,581	6,157	6,255	139	142
Aircraft	269	2,030	2,269	655	743
Transportation Equipment*	266	566	722	113	171
Industrial and Heating Equipment*	2,216	4,064	5,358	83	142
Machine Tools	439	890	1,241	103	183
Merchandising and Service Machine	330	621	806	88	144
Electrical Equipment*	1,829	3,499	4,146	91	127
Iron and Steel*	2,283	4,066	4,952	78	117
Nonferrous Metals and Their Products	1,568	3,124	3,473	99	121
Nonmetallic Minerals and Their Products	2,065	3,522	4,748	71	130
Petroleum Production and Refining	4,852	10,067	9,593	107	98
Coal Mining and Manufactured Solid Fuel	1,730	3,015	3,055	74	77
Manufactured Gas and Electric Power	2,864	5,539	5,233	93	83
Communications	1,516	2,713	2,484	79	64
Chemicals	3,401	6,411	6,635	89	95
Lumber and Timber Products	1,238	2,022	2,791	63	125
Furniture, Other Wood Manufactures	1,187	2,154	2,281	81	92
Wood Pulp and Paper	1,707	3,036	2,914	78	71
Printing and Publishing	2,265	3,962	3,468	75	53
Textile Mill Products	3,159	5,743	5,199	82	65
Apparel, Other Finished Textile Products	3,453	6,742	5,645	95	63
Leather and Leather Products	986	1,667	1,436	69	46
Rubber Products	892	1,725	1,744	93	96
All Other Manufacturing	1,664	3,432	3,217	106	93
Construction	10,089	14,889	25,291	48	151
Miscellaneous Transportation	3,167	6,448	6,001	104	89
Steam Railroad Transportation	4,310	8,739	8,563	103	99
Trade	16,571	30,088	28,189	82	70
Business and Personal Services	18,525	32,240	27,424	74	48
Eating and Drinking Places	4,152	8,999	7,240	117	74

* Not elsewhere classified.

THE FRAMEWORK OF ANALYSIS— INTERRELATIONS OF BASIC FACTORS



of activity and trade permit conversion of these figures into estimates of demand for the products of specific industries.

These estimates of demand are for finished goods. To extend the estimates to include raw materials and intermediate products as well, the technique developed by Professor Leontief of Harvard University is used (see *DUN'S REVIEW*, February 1946). Finally, the computed total levels of production for each industry are converted into estimates of employment through assumptions regarding productivity and working hours.

The finally computed volume of employment may not agree with that initially assumed. The former may be regarded as a measure, on the basis of pre-war institutional relationships, of

the full employment demand for goods and services; the latter, as a measure of the supply. If the demand falls short, it must be increased or unemployment will ensue. Since a gap actually results in the computations at this point, an additional step in the analysis is necessary—an investigation of the changes required in those basic relationships which determine the total volume of demand.

We may assume that the necessary alteration has been achieved by one means or another, and bring the structure into balance at full employment by a partial repetition of the original calculations. The results will give patterns of production and employment which are internally balanced and which in the aggregate provide the necessary total of jobs. The differences

between these final patterns and our position to-day represent, subject to the limitations imposed by the data and assumptions, the changes which may be expected to take place if full employment is achieved in 1950.

The Estimate's Components

It will assist if this cursory description of the method of analysis is kept in mind during the following discussion, which is concerned with the specific estimates made. In general, it has been possible to summarize the findings only; additional details are available elsewhere.

Labor Force and Employment—A good starting point for a full employment analysis is certainly the number of jobs required. Past trends in the size

(Continued on page 54)

A PLAN for control of distribution costs, based on an analysis of one's marketing program rather than on merely budgeting and arbitrarily setting up various items of expense at lower or higher levels, is herein presented. The nature of these controls and how they may be applied are considered under the general headings of marketing strategy, market research, and distribution cost analysis.



CORSON PHOTOGRAPH FROM DEVANEY

Three Steps for Controlling **DISTRIBUTION COSTS**

DONALD R. LONGMAN

*Associate Director, Marketing and Research Division
DUN & BRADSTREET, INC.*

*T*HE average business man seems to conceive of "the control of distribution costs" as a process of budgeting, of reviewing actual expenses in relation to budgets, and of arbitrary allocation of predetermined total expense reductions (or possibly increases) among the various elements of expense listed in a profit and loss statement.

This is indeed a form of cost control, possessing merits tested by long experience. It is not a very valid conception of "the control of distribution costs," however, for it is generally an arbitrary process carried out without an objective standard, and it is exceedingly narrow in approach.

When one speaks of reducing or controlling marketing costs, he is not basically interested in assuring an expenditure of a certain number of dollars or of forcing expenses to a fixed

limit in per cent of dollar sales, but, rather, he is concerned with achieving a maximum practical degree of efficiency in distribution. From a purely business point of view, and even from a strict economic viewpoint, it is of no real consequence what the precise dollar figures of selling cost may be, if one can be certain that the whole job is being done with optimum efficiency. Efficiency can be achieved only indirectly by chipping away at profit and loss statement figures.

The fundamental issue is the orientation of a company's marketing program. One must settle first the basic policies concerning what shall be sold, to whom sales are to be made, the methods of sale, the channels of distribution, the services to be offered, and so on. If these policies are not soundly and solidly based, over-all marketing costs are bound to be unduly high. To what avail is the process of chipping at accounts if the sales cost is high from misdirection in policy? There are no valid standards. We cannot even tell by looking at selling cost records whether expenses are inordinately high or rather low. And should we find them high by contrast with the costs of competitors, we could not tell whether arbitrary expense limitation would solve the problem or compound it. The company that has truly planned and tested its marketing orientation through a long, cold, calculating study is rare indeed. The money to be earned and the money to be saved by work in this direction far exceeds any to be gained through those activities normally conceived as constituting "the control of distribution costs."

First among the three major positive steps toward cost control is the determination of marketing strategy—the orientation of company policy to economic conditions and to the institu-

tional framework of business society. This should be particularly clear today, for we have been and are passing through some of the most rapid and far-reaching economic and institutional changes in history.

Changes in Income

The national income in the United States doubled within the space of six or seven years and reached a total wholly unanticipated prior to the war. The distribution of income between income groups has altered radically. So also, the division of income, regionally and by industry groups, has been completely altered.

These changes, changes in social values, in technology, and in law have precipitated still other changes in the way people live and work. Higher family real incomes, for example, will almost certainly lead to an altered pattern of consumer expenditures. Many products and services heretofore just outside the reach of the general public, the mass market, will be bought in quantities totally out of relation to past sales. This may be true, for example, of sporting goods and camping equip-

ment or the tourist trade. Again, higher real incomes will make the purchase of many products a less serious matter, so that those items will be bought more commonly in secondary shopping or neighborhood areas.

Similarly, institutional changes are taking place which must materially affect the distribution patterns of thousands of manufacturers. New and effective efforts are being made, for example, to develop efficient, attractive, small retail enterprises in rural trading centers. These small town stores have languished far behind their city counterparts and have lost much of the trade which efficient merchandising for their trading areas would have yielded. The manufacturer or merchandising company that first opens a well-planned, attractive store for the sale of such products as appliances is likely to attain a very strong competitive position in the community. Such a development works in the same direction as high rural family incomes which make shopping in distant cities for price advantages less essential. Local purchase at an efficient local store would be preferred.

Again, there are broad changes in the

"If a company is willing once in a while to spend some money toward real cost control, it is possible, by means of cost analysis, to appraise the effect of marketing policies upon the pattern of sales expense and profit. Thus, a retailer can compare the profits and the details of cost resulting from the sale of comparable sheets, some branded, some unbranded. A manufacturer can compare the cost and profit results of selling a product in different packages . . . or at different prices."

MAIN STREET, FLUSHING, N. Y.—CUSHING PHOTOGRAPH





CORSON PHOTOGRAPH FROM DEVANEY

"There are broad changes in the range of goods sold in certain types of retail stores. The grocery store has grown to a large super-market, increasingly engaging in the sale of drugs, hardware, and other convenience items. . . . So also other retailers are diversifying. Several auto supply chains are developing virtually Sears Roebuck or Montgomery Ward type department stores. Tire outlets are going into the appliance business. Oil companies are moving aggressively into the tire business."

range of goods sold in certain types of retail stores. The grocery store has grown to a large super-market, increasingly engaging in the sale of drugs, hardware, and other convenience items. It is becoming a neighborhood shopping center, a convenience and impulse goods department store. So also, other retailers are diversifying. Several auto supply chains are developing virtually Sears Roebuck or Montgomery Ward type department stores. Tire outlets are going into the appliance business. Oil companies are moving aggressively into the tire business. Variety stores are beginning to sell high-priced specialty products. Department stores are increasing branch operations in smaller cities and in secondary shopping areas.

The same kinds of illustrations might be given to suggest the rapidity of change in other phases of economic life as they affect marketing. Particular attention must be centered on the rapid changes in production methods and techniques which occurred during the war and which will alter industrial marketing significantly.

The trends cited above are altering the kinds of things people buy, the type or location of the store they patronize,

the amounts or frequency of purchase, the uses of the product, attitudes toward price, and so on. They threaten to distort completely our past patterns of distribution for hardware, drugs, appliances, auto supplies, groceries, tires, and still other lines.

Business Strategy

It is this field, the field of alignment of marketing policies to the facts of economic life (which may be called business strategy) to which one must look first if he is serious about the control of distribution costs. For if buyers no longer regard the product as one deserving intensive shopping and have taken to purchasing it in diversified retail outlets in secondary or neighborhood shopping areas, retention of old exclusive franchise arrangements with downtown dealers is going to make the manufacturer's selling cost unduly high. This but illustrates a single situation of the many which may and do confront producers to-day.

There is a second part to effective cost control—market research.

The term "market research" is most elastic in practise, to say the least. Technically, however, it may be dis-

tinguished from general marketing research and applied to the quantitative approximation of the size and character of a manufacturer's or an industry's market for specific products or services, under stipulated conditions.

The technique of market research has been developed with great rapidity during the past decade or so. But if this technique is to attain maximum effectiveness, it is necessary that we appreciate the full scope of its application. Our need is not simply to determine the size of "the market" but rather to determine the approximate potential sales to be expected under various conditions. What will be the effect of a different price, of selling in a new area, or to a new class of buyers, or for additional uses? What bearing does the channel of distribution, or the package, or the frequency of the salesman's call have upon sales? These are basic questions in marketing; and market research is the specific tool whereby answers are to be found.

It is true, to be sure, that few craftsmen in the field of market research would care to address themselves to such a range of problems as those listed above with a guarantee of accurate answers in all cases. But it is also true that a good research technician can improve greatly upon the guesses on which most business men rely to-day. And

(Continued on page 48)

Removal of . . .

CANADIAN-AMERICAN TARIFF BARRIERS



MONKMEYER PHOTOGRAPH

*W*ILL the United States and Canada go further than other nations have gone or are to-day prepared to go in freer trade agreements? Prime Minister King pointed out that "trade between Canada and the United States was based upon a community of interest which made us two nations, but in trade, one community."

OSWALD GARRISON VILLARD

*I*F ever two countries were intended to trade together in peace and prosperity without any hindrance whatever, they are Canada and the United States. No neutral barrier separates us, and not a single fortress or warship. We have been garrisoning a Newfoundland harbor and have built and used a string of airfields on Canadian soil, while Canadian uniforms have been familiar sights in our streets and airdromes.

We are partners in a Joint Defense Board which is permanent; indeed, the whole North American defense problem will hereafter include Canada and the United States as one. Abroad, the sons of both countries have died together in closest comradeship before the joint enemy. Not a single untoward incident, no friction, no differences of opinion have marked this co-operation; it has been a partnership between two nations unparalleled in

its completeness and mutual trust.

Following the establishment at Ogdensburg in August 1940 of the permanent Joint Defense Board, the Prime Minister of Canada, Mackenzie King, and President Roosevelt issued a declaration at Hyde Park in 1941 on the mobilization of the economic resources of the two countries. It was agreed "as a general principle" that "each country should provide the other with the defense articles which it is best able to

produce, and above all produce quickly, and that the production program should be co-ordinated to this end."

In the next year, on November 30, 1942, Secretary of State Cordell Hull and the Canadian Minister to Washington, Leighton McCarthy, exchanged two notes which agreed that "post-war settlements must be such as to promote mutually advantageous economic relations" between the two countries. For "the betterment of world-wide economic relations" they undertook for their governments to "co-operate in formulating a program of agreed action, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and the consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce; and to the reduction of tariffs and other trade barriers."

If we can do all of this in wartime, why should there not be the fullest and freest co-operation and exchange of goods and services between the two countries in time of peace? Can this only take place when the sons of the two nations are being killed abroad? This question is the more important because, as Prime Minister King has pointed out "the trade between Canada and the United States was based upon a community of interest which made North America two nations, but in trade, one community."

Importance of Joint Traffic

He stressed the fact that the total trade between the two countries before the second World War was "greater than the total trade between any other two countries on the face of the earth." He could have noted that Canada has now become the third greatest exporting nation in the world. It is not necessary to add anything to this to prove how important to the welfare of the United States is this joint traffic over its Northern boundary.

How the war expanded that trade appears from the fact that whereas Canada purchased \$264,000,000 of American products in 1932, that figure

jumped to \$1,424,000,000 in 1943 and was held at \$1,060,000,000 in the peace year of 1946. In 1932 the United States paid \$159,000,000 to Canada for products purchased, but in 1943, excluding all gold purchases, it paid no less than \$1,149,000,000 to Canada for the goods it needed and for the minerals required by our war needs. It is true, as the Canadian Minister of Trade and Commerce, James A. MacKinnon, has said, 80 per cent of the wartime Canadian-American trade was temporary, and abnormal wartime business.

Nonetheless, the opportunity is ripe for maintaining a larger volume of peacetime trade than ever before. The Congress has just recognized this by unilaterally abolishing for three years the import tax on copper. The war trade has shown us how much the two countries would profit if the semi-manufactured products of Canadian metal and power were admitted free of duty into the United States and the finished products went back into Canada just as freely. Even before the war this was being done with such metals as aluminum, nickel, certain chemicals, and to a certain extent with asbestos.

The Canadian Government is now working for free trade in all agricultural machines. This is an example of the way business between the two countries could be built up to take the place of the abnormal war traffic.

In addition, American corporations have already scheduled fully \$200,000,000 for investment in Canada, chiefly in Ontario, since the close of the war. On July 6, 1946, Canada reduced the premium on American funds from 10 per cent for sellers and 11 per cent for buyers, to one-half of 1 per cent for most transactions. Like the restoration of the Canadian dollar to parity with the American, this was a most important contribution to the increasing of trade between the two countries.

The wartime agreements between the two countries greatly reduced the restrictive effects of their respective tariffs. As the Canadian Minister of Finance, James Ilesley, put it in the Canadian House of Commons on June 26, 1944: "For the present the (Canadian) tariff is without any great influence on the scope or direction of external trade." Now the most important thing

to note is that neither the Congress nor the Ottawa Parliament voted to eliminate the tariffs. They were merely brushed aside by the two governments on the ground that nothing must interfere with their war co-operation.

Freedom from Tariff

Just what the arrangements are it has not been easy to ascertain. There is supposed to have been much entering of debits and credits on each nation's books to be ironed out after the war—John MacCormac says that there were bookkeeping transactions between one branch of the government and another. But for the duration there was an unwritten agreement to forget about tariff differences wherever that was possible.

With freedom from tariff bonds has come also temporary freedom from the quotas, import licenses, and the numerous other restrictive and discriminatory trade practises which have done so much to increase the traffic evil and to throw obstacles in the way of trade between the two countries. Goods presented at customs houses are too often received, especially upon the American border, as dangerous things, to be handled not as speedily as possible, but as if with the desire to delay entry by every possible means, by hook or by crook.

There have been marking regulations which caused infinite trouble on the Canadian border, and the extraordinarily elaborate and difficult customs documents to be signed by the unfortunate importers and exporters have apparently been planned as if for the express purpose of further making trade as difficult as possible. The "invisible tariffs" have been as vexatious in the trade between these two countries as anywhere else.

Why should any sane person, either in the United States or in Canada, think of renewing such odious shackles now after the war? Mr. King has called for the progressive annual reduction of all tariffs by all nations as soon as peace is restored, and his Parliamentary assistant, Brooke Claxton, has voiced the hope that the United States and Canada will not wait for any international agreement, but will go "further than almost any nation has ever

(Continued on page 42)



DEVANEY PHOTOGRAPH

The Trend OF BUSINESS

PRODUCTION PRICES TRADE FINANCE

Supported by heavy demand for goods and services, industrial production was maintained close to post-war peaks established in March. Business inventories-sales ratios compare favorably with pre-war years. Employment reached an all-time high.

THE end of the first half of 1947 saw industry in the United States operating at peace-time peak levels. In June the absence of any major labor disputes which retarded output in April and May plus an improvement in the supply of many raw materials enabled most industries to raise production back to the very high levels established in the first quarter of the year. Although a moderate drop in the production of certain types of soft goods indicated that pipe-lines in those particular industries were becoming filled, the demand for goods and services generally remained heavy.

The steel industry, although hampered in recent months by the lack of sufficient supplies of pig iron and steel scrap, produced 7,332,828 net tons in May, a new peace-time record. Output in June was scheduled close to this peak level. Automobile production, after a slight drop in May due chiefly to a shortage of sheet steel, continued in June at record post-war levels.

Seasonal declines appeared in several branches of the textile and garment industries for the first time since the beginning of World War II. Food production continued at record levels; domestic consumption remained high

and relief shipments to foreign countries were increased. At the beginning of June all available box cars were assembled in preparation for the movement of the all-time record Winter wheat crop to market.

Lumber supplies in most areas were adequate reflecting chiefly the high level of production during the first half of 1947 and the continued lull in building activity.

The demand for lower prices at the retail level together with the widespread predictions of a coming business recession caused many manufacturers to make a determined effort to lower inventories which had been increasing steadily since the beginning of 1946. The current inventories-sales ratio of manufacturing industries, although moderately above that of a year ago,

Industrial Production

Seasonally Adjusted Index: 1925-1939 = 100; Federal Reserve Board

	1944	1945	1946	1947
January	243	234	160	189
February	241	236	152	189
March	241	235	168	190
April	239	230	165	187
May	236	225	159	186*
June	235	220	170	
July	230	210	172	
August	232	186	177	
September	230	167	180	
October	232	162	182	
November	232	168	183	
December	232	163	182	

* Approximation; figure from quoted source not available.

Employment

Millions of Persons; U. S. Bureau of Census

	1944	1945	1946	1947
January	50.4	50.1	51.0	55.4
February	50.3	50.6	51.2	55.5
March	50.5	50.8	52.5	56.1
April	51.3	51.2	54.1	56.7
May	52.0	51.3	54.1	58.3
June	53.2	52.1	54.4	58.3
July	54.0	54.4	57.8	
August	53.2	53.6	57.7	
September	52.3	51.4	57.1	
October	52.2	51.6	57.0	
November	51.5	51.5	57.0	
December	50.6	51.2	56.3	

* New series.

Wholesale Commodity Prices

Index: 1926 = 100; U. S. Bureau of Labor Statistics

	1944	1945	1946	1947
January	103.3	104.9	107.1	141.5
February	103.6	105.2	107.7	141.5
March	103.8	105.3	108.9	149.5
April	103.9	105.7	110.2	147.7
May	104.0	106.0	111.0	147.4*
June	104.3	106.0	112.0	
July	104.1	105.9	124.7	
August	103.9	105.7	128.1	
September	104.0	105.2	124.0	
October	104.1	105.9	134.1	
November	104.4	106.8	139.7	
December	104.7	107.1	140.9	

* Approximation; figure from quoted source not available.

Consumers' Price Index

Index: 1935-1939 = 100; U. S. Bureau of Labor Statistics

	1944	1945	1946	1947
January	124.2	127.1	129.9	153.3
February	123.8	126.9	129.6	153.2
March	123.8	126.8	130.2	156.3
April	124.6	127.1	131.1	156.1
May	125.1	128.1	131.7	155.9*
June	125.4	129.0	133.3	
July	126.1	129.4	141.3	
August	126.4	129.3	141.1	
September	126.5	129.9	145.9	
October	126.5	128.9	148.6	
November	126.6	129.3	152.2	
December	127.0	129.9	153.3	

* Approximation; figure from quoted source not available.

remains considerably below the levels of immediate pre-war years.

Employment The concentrated efforts of farmers to make up the time lost due to unfavorable planting weather earlier in the season were reflected in the sharp rise in agricultural employment during May and June. Nonagricultural employment also increased seasonally as large numbers of students and other Summer workers entered into the labor force. Due primarily to these seasonal advances, total employment rose to an all-time high of over 58 million persons. Unemployment dropped during the second quarter of 1947 to a level approximately 15 per cent below that of the similar period a year ago, according to the U. S. Bureau of Census.

The preliminary data available indicated that the percentage of working time lost due to strikes in June would be very small. Except for the possibility of a coal strike occasioned by the return of the mines to the owners by the Government on June 30, the labor front remained relatively quiet. The Taft-Hartley Bill, revising legislation pertaining to labor-management relations, was passed by Congress in June by a majority sufficient to override a Presidential veto.

Income Total income payments to individuals in June rose moderately above those of the previous month. The absence of any major strikes together with the increase in the total labor force aided the customary seasonal rise.

The high level of agricultural income, sustained largely by the continued heavy demand for farm products and by Government price supports, more than offset the rise in farm expenditures. The level of the purchasing power of the farmer's dollar which is currently higher than at any time since World War I, appears in the Parity-Price Ratio chart on page 25. This is a ratio between prices the farmer receives for goods and prices he pays for goods.

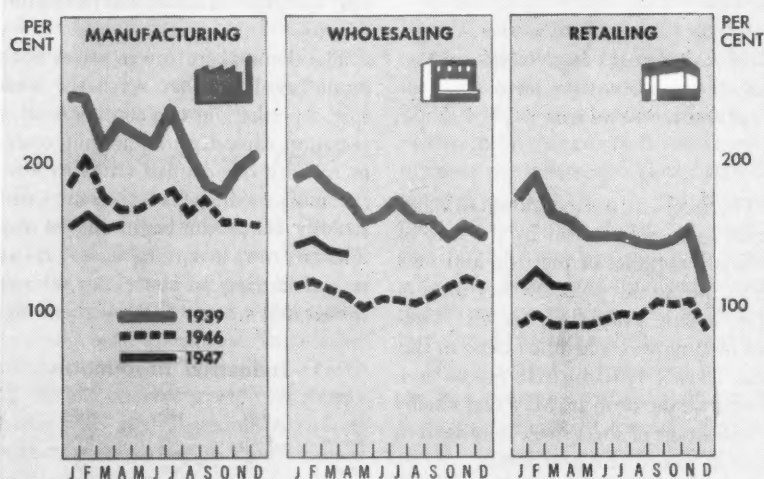
Prices The continued heavy export demand, Federal price supports, and another round of wage rises were the principal factors in the maintenance of most prices during May at a level slightly under the post-war peak reached in March. By June many of the nation's retailers who had cut prices "across the board" in an attempt to force a reduction in prices generally had termed the experiment a failure and restored prices to their former level.

During June wholesale prices in most commodity groups were between 30 and 50 per cent above those of a year ago almost unchanged from the previous month's level. Prices in the food, building materials, and farm products groups had the largest percentage gains over a year ago.

The cost of consumers' goods and services in June remained high. The family food bill, accounting for over 40 per cent of the moderate-income city family's living costs, was below the peak of March 1947 but was about 85 per cent above the 1935-1939 average. Despite scattered reductions on certain items, clothing prices generally were more than 80 per cent above the pre-war level.

Trade Despite unseasonably cold rainy weather and in the face of stiff consumer resistance

INVENTORIES—SALES RATIOS



The rapid rise in inventories in recent months was accompanied by a sharp increase in sales volume with the result that the present relationship between inventories and sales compares favorably with that which existed in 1939. Careful planning is essential in order to maintain a safe balance between sales and inventories. The wholesale ratio is based upon data from service and limited-function wholesalers published by the U. S. Bureau of Census. Other data from U. S. Office of Business Economics.

Retail Sales

Seasonally Adjusted Index: 1935-1939 = 100; U. S. Department of Commerce

	1944	1945	1946	1947
January	175.6	193.3	237.6	276.2
February	173.9	193.9	243.1	280.6
March	177.9	196.4	241.1	277.7
April	166.6	186.6	236.6	274.1
May	174.5	186.6	236.6	275.1
June	174.4	186.6	236.6	275.1
July	179.4	198.4	247.5	
August	180.7	196.3	261.4	
September	179.1	195.2	256.5	
October	185.0	195.2	260.3	
November	191.1	220.1	273.0	
December	197.7	216.8	270.1	

* Approximation; figure from quoted source not available.

Industrial Stock Prices

Monthly Average of Daily Index; Dow-Jones

	1944	1945	1946	1947
January	137.74	153.95	199.00	176.10
February	135.97	157.13	190.36	181.54
March	139.07	157.22	194.31	176.66
April	137.19	160.47	205.81	171.28
May	139.22	165.58	206.65	168.67
June	145.46	167.31	207.33	
July	148.37	166.06	202.27	
August	146.72	177.66	199.44	
September	145.30	172.72	172.72	
October	147.88	186.07	169.48	
November	147.88	190.22	168.94	
December	150.35	192.74	174.38	

to high prices, retail trade volume during May and June was between 10 and 15 per cent above that of the corresponding period a year ago. The demand for luxury items continued the moderate decline which has been evident since the beginning of 1947. Jewelry and liquor stores, and eating and drinking places reported the sharp drop in sales volume.

Numerous clearance and markdown sales were held as stores attempted to adjust unbalanced inventories and to dispose of inferior quality merchandise accumulated during the first part of the reconversion period. Despite a continuous rise during the past 18 months, the ratio of retail inventories to sales at the end of the first half of 1947 was considerably below that of immediate pre-war levels.

Wholesale dollar volume generally remained well above that of a year ago. Slight declines in apparel volume in May were offset to a large extent by the opening of new Fall lines in June. Sales volume for food and for most types of durable goods continued at a very high level. Buyers remained price conscious and hesitant in regard to long-term commitments.

Wholesale inventories on April 30 were 68 per cent over those of a year ago. Preliminary reports indicate that during May and June there was very little change from April. The inventories-sales ratio for most types of wholesale business remained below the level of pre-war years. Of twenty-six lines for which comparable data are available for April 1947 and April 1940, inventories in proportion to sales are higher this year for five lines, the same for one line, and lower for twenty lines.

In many cases where domestic pipelines have overflowed business activity is being maintained at a high level by the unprecedented foreign demand for United States goods. Since most of

the foreign countries receiving these goods suffer from an acute shortage of dollars, a large percentage of the food, clothing, and machinery shipped is being financed by long-term loans or outright gifts.

Finance The slight declines in business loans and commodity prices during the second quarter of 1947 gave indication that the inflationary spiral had reached its peak. The redemption of Treasury bills, which had been carried on at a \$200 million weekly rate largely as an anti-inflation measure, was suspended as the

slight downturn in business activity became evident.

During the first half of 1947, exports exceeded imports by such a large percentage that the resultant flow of gold into this country nullified to some extent the credit restricting effects of the Treasury bill redemptions.

Loans to business by member banks of the Federal Reserve System, which had been rising since mid-year 1945, turned downward in May and June. Commercial, industrial, and agricultural loans totalling \$10.6 billion at the beginning of June were \$600 million below the peak reached in April.

Security prices in June recovered moderately from the lows established in April and May, but prices generally were below first quarter levels. The passage of new labor legislation was expected to have a favorable effect on security prices.

Failures Business failures in May totalled 378, the highest number of failures for any one month

PRICES . . . CLEARINGS . . . PERMITS

COMPILED BY THE PUBLISHERS OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.

WHOLESALE FOOD PRICE INDEX

The index is the sum total of the price per pound of 31 commodities in general use:

1947	1946	1947
June 17.. \$6.24	June 18.. \$4.35	High Mar. 4 \$6.77
June 10.. 6.12	June 11.. 4.21	Low May 20 5.95
June 3.. 6.09	June 4.. 4.21	1946
May 27.. 6.02	May 28.. 4.20	High Nov. 19 \$6.49
May 20.. 5.95	May 21.. 4.20	Low Jan. 22 4.12

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot clearing prices of 30 basic commodities (1930-1932 = 100).

	June	May	1947	Apr.	Mar.	Feb.
1....	↑	253.05	265.81	256.96	236.55	
2....	254.37	253.08	262.93	↑	↑	
3....	255.71	252.61	262.67	257.99	237.84	
4....	258.26	↑	↑	257.89	239.37	
5....	257.42	253.29	263.12	258.91	240.32	
6....	257.46	253.39	↑	261.15	240.56	
7....	257.69	253.46	263.40	261.06	241.93	
8....	↑	253.91	262.43	262.36	242.31	
9....	257.40	254.03	261.81	↑	↑	
10....	256.76	253.83	262.26	263.46	244.37	
11....	257.36	↑	262.18	263.34	244.96	
12....	258.25	252.95	262.02	264.22	↑	
13....	258.05	252.86	↑	268.49	244.78	
14....	258.30	254.09	258.28	269.20	245.22	
15....	↑	255.69	258.33	268.14	245.88	
16....	257.91	254.35	259.73	↑	↑	
17....	258.74	254.56	259.54	268.94	246.84	
18....	259.79	↑	258.78	269.25	247.05	
19....	260.86	253.50	258.44	265.82	248.20	
20....	260.15	254.37	↑	264.84	248.76	
21....	↑	254.84	258.66	263.89	248.89	
22....	↑	254.30	257.74	264.30	↑	
23....	↑	254.69	256.32	↑	↑	
24....	↑	255.48	256.28	267.63	250.58	
25....	↑	256.15	256.15	268.03	252.23	
26....	↑	256.06	257.05	269.13	252.19	
27....	↑	254.56	↑	266.94	253.55	
28....	↑	258.81	255.75	267.16	254.70	
29....	↑	256.46	253.35	267.02	↑	
30....	↑	↑	254.23	↑	↑	
31....	↑	↑	↑	267.47	↑	

↑ Sunday. * Markets closed.

BANK CLEARINGS—INDIVIDUAL CITIES

(Thousands of dollars)

	1947	1946	%
Boston	1,763,872	1,826,127	- 3.4
Philadelphia	3,443,000	3,226,000	+ 6.7
Buffalo	324,772	274,912	+18.1
Pittsburgh	1,158,862	1,007,780	+15.0
Cleveland	1,256,292	986,326	+27.4
Cincinnati	663,884	551,265	+20.4
Baltimore	816,791	756,603	+ 8.0
Richmond	459,769	390,213	+17.8
Atlanta	892,300	807,200	+10.5
New Orleans	459,559	437,606	+ 5.0
Chicago	3,149,997	2,634,775	+19.6
Detroit	1,539,916	1,232,864	+24.2
St. Louis	971,177	905,963	+ 7.2
Louisville	419,684	359,828	+16.6
Minneapolis	908,536	772,118	+17.7
Kansas City	1,191,348	972,293	+22.5
Omaha	472,327	361,044	+30.8
Denver	384,459	328,947	+17.2
Dallas	818,434	680,457	+20.3
Houston	710,373	570,611	+24.5
San Francisco	1,483,793	1,426,014	+ 4.0
Portland, Ore.	417,775	338,727	+23.1
Seattle	413,191	370,310	+11.6
Total 23 Cities....	24,111,012	21,217,083	+13.6
New York	28,185,864	30,016,003	- 6.1
Total 24 Cities....	52,296,876	51,233,086	+ 2.1
Average Daily	2,011,418	1,970,593	+ 2.1

* Revised.

BUILDING PERMIT VALUES—215 CITIES

Geographical Divisions:	1947	1946	%
New England	\$14,614,828	\$14,056,634	+ 4.0
Middle Atlantic	37,899,516	58,828,359	-35.6
South Atlantic	24,523,504	19,438,800	+26.2
East Central	49,498,676	39,363,722	+25.7
South Central	39,042,240	25,339,578	+54.6
West Central	12,716,989	14,518,559	-12.4
Mountain	6,563,655	6,043,103	+ 8.6
Pacific	39,634,753	46,616,895	-15.0
Total U. S.	\$215,496,151	\$224,205,650	- 3.9
New York City	\$18,971,177	\$42,122,813	-55.0
Outside New York City	\$196,524,974	\$182,082,837	+ 7.9

since March 1943. Over four times as many concerns failed as in May a year ago, but, despite the sharp rise in recent months, failures were only one-third as numerous as in the same month of pre-war years. Projecting the monthly rate of failures to an annual basis, the Failure Index indicates seventeen failures per 10,000 concerns in business, twice as heavy a volume as in any month in the preceding three years.

Current liabilities of failures in May were \$17,326,000; this represents an increase of almost \$14 million over the May 1946 figure and is the highest total for any month since 1938. The average liability was \$45,836 as compared with \$39,740 in May a year ago. More large concerns, those with losses exceeding \$100,000 failed this May than in any one month since 1938. The smallest percentage gain was in failures with liabilities under \$5,000. Failures in the \$5,000 to \$25,000 liability class were six times as numerous as those in May 1946.

Manufacturing failures occurred

most frequently during May. Totalling 155, they accounted for about 40 per cent of the month's failures, as compared with 18 per cent in pre-war years. In manufacturing twice as many concerns failed in the machinery industry as in any other line. Failures exceeded ten in lumber and lumber products with nineteen businesses failing and in textiles and apparel with seventeen.

Although numerically manufacturing failures predominated, the relative gain this May from the 1946 level was sharper in wholesaling and retailing. Wholesalers failing numbered 51 against only 4 a year ago, and retailers at 119 were four and a half times those occurring in the previous May. In retailing failures were heaviest in eating and drinking places, and in furniture, apparel, and food stores. Losses incurred in trade failures exceeded a million dollars in one wholesale line, hardware and building materials, and in one retail activity, eating and drinking places. The rise in failures in construc-

tion and commercial service continued to be less than that in the other industry and trade groups.

A larger number of failures occurred in the twenty-five largest cities than in the balance of the country; likewise, the liabilities were heavier in the metropolitan districts. New York City reported 64 failures with aggregate losses of \$4,568,000 and Los Angeles reported 42 with \$2,598,000. The only other big city with more than twenty concerns going out of business was Chicago where failures jumped to 27 from one in May last year. While failures in New York and Chicago reached their highest level since 1943, Los Angeles failures were more numerous than in any other month since this record was begun in 1934. There were only five big cities where no failures were registered this May as compared with thirteen cities a year ago.

In each of the major geographic regions more failures were reported than in the corresponding month of 1946.

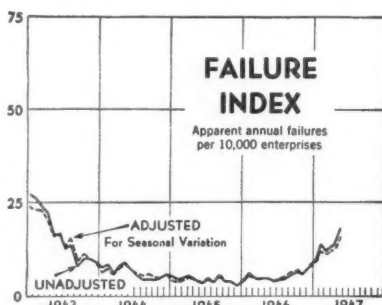
BUSINESS FAILURES NEW INCORPORATIONS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	(Number Jan.-May 1947)	(Number Jan.-May 1946)	(Liabilities Jan.-May 1947)	(Liabilities Jan.-May 1946)
MINING, MANUFACTURING...	539	180	\$2,803	9,636
Mining—Coal, Oil, Misc...	5	9	458	1,064
Food and Kindred Products	25	12	5,915	591
Textile Products, Apparel...	53	17	2,308	252
Lumber, Lumber Products...	77	22	5,201	613
Paper, Printing, Publishing	15	3	807	96
Chemicals, Allied Products...	29	9	2,058	307
Leather, Leather Products...	27	2	1,702	159
Stone, Clay, Glass Products...	13	4	611	208
Iron, Steel, and Products...	33	7	3,777	403
Machinery...	119	52	16,124	4,107
Transportation Equipment...	20	10	5,376	479
Miscellaneous...	123	33	8,166	1,298
WHOLESALE TRADE...	173	36	9,249	2,078
Food and Farm Products...	35	12	2,695	1,210
Apparel...	9	2	245	14
Dry Goods...	2	..	75	..
Lumber, Bldg. Mats., Hdw...	18	2	1,151	208
Chemicals and Drugs...	7	3	115	30
Motor Vehicles, Equipment...	5	..	55	..
Miscellaneous...	97	17	4,443	616
RETAIL TRADE...	437	117	8,779	2,344
Food and Liquor...	63	18	854	164
General Merchandise...	17	8	253	142
Apparel and Accessories...	78	21	1,313	292
Furniture, Furnishings...	72	5	1,136	57
Lumber, Bldg. Mats., Hdw...	15	5	332	47
Automotive Group...	37	31	760	958
Eating, Drinking Places...	85	23	3,100	384
Drug Stores...	9	4	74	19
Miscellaneous...	61	12	957	281
CONSTRUCTION...	84	47	2,250	1,130
General Bldg. Contractors...	28	10	1,121	509
Building Sub-contractors...	52	36	749	421
Other Contractors...	4	1	380	200
COMMERCIAL SERVICE...	116	51	3,745	4,020
Highway Transportation...	60	16	2,692	2,944
Misc. Public Services...	3	..	104	..
Hotels...	1	1	0	687
Cleaning, Dyeing, Repairs...	8	5	326	25
Laundries...	8	3	118	208
Undertakers...	1	2	13	8
Other Personal Services...	5	8	43	24
Business, Repair Service...	30	16	440	136



THE FAILURE RECORD

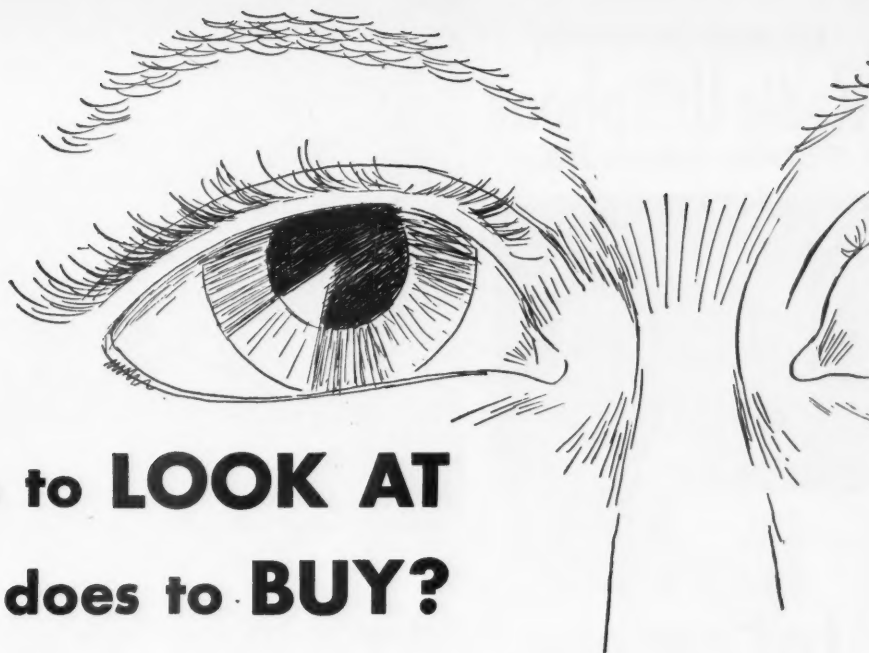
	May 1947	Apr. 1947	May 1946	Per Cent 1946 Change
DUN'S FAILURE INDEX*				
Unadjusted	18.2	13.5	4.7	+ 287
Adjusted seasonally...	17.3	12.4	4.5	+ 284
NUMBER OF FAILURES...	378	277	92	+ 311
NUMBER BY SIZE OF DEBT				
Under \$5,000	57	55	26	+ 119
\$5,000-\$25,000	180	110	27	+ 507
\$25,000-\$100,000	101	71	30	+ 237
\$100,000 and over...	40	32	9	+ 344
NUMBER BY INDUSTRY GROUPS				
Manufacturing...	155	117	41	+ 278
Wholesale Trade...	51	37	4	+ 1,175
Retail Trade...	119	84	26	+ 358
Construction...	20	16	8	+ 150
Commercial Service...	33	23	13	+ 154
(Liabilities in thousands)				
CURRENT LIABILITIES...	\$17,326	\$16,080	\$3,656	+ 374
TOTAL LIABILITIES...	\$17,521	\$16,080	\$3,931	+ 346

* Apparent annual failures per 10,000 enterprises; formerly called DUN'S INSOLVENCY INDEX.
† Per cent change of May 1947 from May 1946.

NEW BUSINESS INCORPORATIONS

	Apr. 1947	Mar. 1947	Apr. 1946	Four Months 1947
Alabama	107	91	122	490
Arizona	68	63	84	268
Arkansas	40	59	57	216
California	752	786	927	3,019
Colorado	88	80	77	328
Connecticut	193	154	213	704
Delaware	227	241*	308	961*
Florida	356	354	412	1,294
Georgia	148	164	177	637
Idaho	32	25	35	117
Illinois	610	584	744	2,432
Indiana	191	181	199	729
Iowa	68	88	90	320
Kansas	70	66	61	280
Kentucky	83	74	93	322
Louisiana	99	95	123	387
Maine	39	52	60	191
Maryland	101	201	122	788
Massachusetts	348	341	544	1,441
Michigan	337	321	442	1,432
Minnesota	161	119	147	547
Mississippi	69	61	61	276
Missouri	154	150	45	624
Montana	31	34	30	142
Nebraska	72	62	65	261
Nevada	46	63	80	208
New Hampshire	30	40	40	150
New Jersey	593	625	716	2,207
New Mexico	22	22	23	91
New York	2,113	2,411	3,723	9,901
North Carolina	157	188	232	741
North Dakota	10	12	12	51
Ohio	449	468	520	2,120
Oklahoma	66	92	59	357
Oregon	94	89	97	378
Pennsylvania	420	468	285	1,070
Rhode Island	71	68	68	302
South Carolina	104	78	105	340
South Dakota	29	26	18	95
Tennessee	81	106	134	407
Texas	401	365	458	1,307
Utah	48	56	48	209
Vermont	27	17	27	91
Virginia	142	149	130	566
Washington	139	164	87	632
West Virginia	92	69	106	314
Wisconsin	152	193	214	708
Wyoming	24	32	19	91
Total 48 States...	9,802	10,247	12,469	41,272
* Preliminary.				

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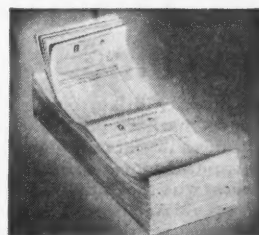
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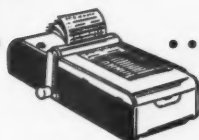


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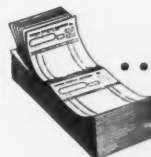
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AUTOGRAPHIC REGISTERS
AND REGISTER FORMS



SINGLE SET
FORMS



CONTINUOUS-STRIP FORMS
FOR TYPEWRITTEN AND BUSINESS MACHINE RECORDS



Electronic Laboratories' Radio Utiliphone 5-Station Intercom System



Above: Executive Station.
Right: Sub-station.

the Intercom



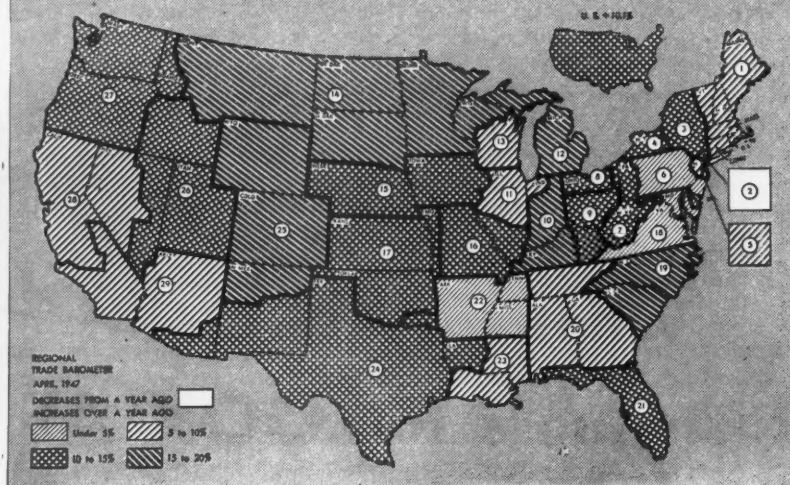
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★ Instant contact with key men . . . plus the latest news, market reports, and scores of radio features . . . are all yours at the touch of a control in one, handsome, compact instrument with the Radio-Utiliphone! New and essential business equipment, it's also a distinctive addition to any office with its beautiful walnut cabinet. Executive station and 4 sub-stations provide immediate communication between 5 points in your organization. High amplification intercom system and powerful radio, with full broadcast band reception, operate on AC or DC. Easy to use . . . easy to install. Enjoy the convenience of this executive type intercom and radio-combination. Mail coupon today!

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120 West New York St., Indianapolis 4, Indiana
Rush details on Radio-Utiliphone and dealer's name.

Name.....
Company Name.....
Street Address.....
City..... State.....

TRADE ACTIVITY IN TWENTY-NINE REGIONS



BUYING NEAR RECORD

The United States Trade Barometer (seasonally adjusted) rose to 275.3 in May from 272.2 in April. Regional trade activity is reported by the local DUN & BRADSTREET offices.

THE usual Summer decline in retail volume was moderate, according to early reports. Retail volume continued to exceed the very high levels of a year ago although year-to-year increases were not as great as they were during the first quarter of 1947.

Tourist trade, stimulated by warm June weather, increased sharply and compared very favorably with that of a year ago. Consumer interest in Summer merchandise was high; the demand for sportswear and sporting goods equipment increased considerably.

Consumer purchases of commodities in June as measured by the DUN's REVIEW Regional Trade Barometer were close to the high level reached in May when the preliminary barometer was 275.3 (1935-1939=100) after seasonal adjustment. This was 2.2 per cent below the all-time high of 281.4 in March and 1.1 per cent above the April figure of 272.2. It exceeded the 244.5 of May 1946 by 12.6 per cent.

Monthly changes among the 29 regions, as reflected by the April barometers, were small in most areas. The sharpest declines were in those regions west of the Great Lakes. Declines of from 8 to 12 per cent occurred in the

Chicago Region (11), the Detroit Region (12), the Milwaukee Region (13), the Minneapolis and St. Paul Region (14), and the Iowa and Nebraska Region (15). A drop of 11 per cent also occurred in the Philadelphia Region (6).

Monthly increases were centered largely in the South. The North and South Carolina Region (19) rose 2.6 per cent, the Florida Region (21) rose 8.1 per cent, and the Texas Region (24) rose 8.0 per cent. There was also an increase of 7.3 per cent in the Buffalo and Rochester Region (4).

The April barometers in all but one region were above those of a year ago. In the New York City Region (2) it was 6.1 per cent below the 1946 level. In all other regions the increases were from 2 to 19.3 per cent. The sharpest increases over a year ago were in the regions located in the Northwest, Rocky Mountain, and eastern Great Lakes areas.

The highest barometers were in the southern and western regions. The lowest were in the northeast. The highest barometer was 359.8 in the Texas Region (24) and the lowest was 212.3 in the Northern New Jersey Region (5).

(Regional reports begin on page 32)



What they're spending ain't peanuts in REDBOOK, Virginia

\$111,000,000 income, after taxes, certainly isn't peanuts or hay either. But you can't expect to get your share of that spendable income in Redbook, Virginia if they don't read about your brand in Redbook consistently.

If you have any trouble "placing" these readers, just keep in mind that they're human beings who find food habit-forming. They buy \$15,000,000

worth of it every twelve months. And Virginia drug stores take over \$2,800,000 from Redbook readers each year.

\$79 a page, pro-rata, is certainly a bargain rate at which to register your brand with the avid buyers in this \$111,000,000 market. You're overlooking a real bet if your next list doesn't include Redbook.

YOUTH IS THE ANSWER

You can't beat the under-35 group as a sales potential. More than 50% of all Redbook families are in that group. When they want a product they see advertised in Redbook, nothing stops them until they own it. And when they want Redbook, they find the \$4,500,000 a year to pay for it.

These people will solve a lot of sales problems.

HIT 'EM WHERE THEY LIVE.IN **REDBOOK, U.S.A.!**

Send for the Redbook State-by-State analysis of family buying power. Write or phone Redbook, 444 Madison Avenue, New York 22, New York.



The ratio of EFFICIENCY is 36:1

★ In a certain bank, six girls used to work six hours hand-folding monthly statements . . . a total of 36 working hours.

★ In this same bank, one girl with a Davidson Folding Machine now does the same job in one hour.

Maybe you're not in the banking business. But whatever your business, you'll find it worthwhile to check into hand-folding costs. Davidson Folding Machines are making tremendous savings in hundreds of businesses, large and small . . . folding advertising literature, price change notices, market letters, invoices, statements, bulletins . . . in a fraction of the time required for hand-folding . . . at a fraction of the cost. No need to take employees from their regular duties . . . no overtime . . . no delayed mailings.

Davidson Folding Machines are made in three models to meet the requirements of any office. Prompt delivery. Phone your nearest Davidson Sales and Service Agency or write direct for details.

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Davidson Sales and Service Agencies are located in principal cities of U. S., Canada, Mexico, and foreign countries.



Our new booklet tells all about Davidson Folding Machines...shows how they are saving money for many types of businesses. All models illustrated and described. Write for your copy. No obligation, of course.

Davidson

FOLDING MACHINES

TRADE ACTIVITY IN TWENTY-NINE REGIONS (Continued)

REGIONAL TRADE BAROMETERS

REGION	Apr. 1947	% Change from—	
		Apr. 1946	Mar. 1947
United States	272.2	+10.1	-3.3
1. New England	216.4	+7.8	-7.2
2. New York City	228.2	-6.1	-6.1
3. Albany; Utica, Syracuse	247.2	+11.8	-9.9
4. Buffalo, Rochester	276.0	+11.6	+7.3
5. Northern New Jersey	212.3	+6.5	-5.6
6. Philadelphia	235.6	+3.2	-10.9
7. Pittsburgh	240.5	+11.4	-3.1
8. Cleveland	262.0	+13.7	-5.7
9. Cincinnati, Columbus	282.9	+12.1	-3.8
10. Indianapolis, Louisville	303.5	+15.2	-3.1
11. Chicago	242.9	+8.9	-7.8
12. Detroit	270.7	+19.3	-10.4
13. Milwaukee	274.7	+8.0	-10.8
14. Minneapolis, St. Paul	256.4	+16.2	-11.2
15. Iowa, Nebraska	265.7	+14.4	-12.0
16. St. Louis	250.0	+11.1	-8.4
17. Kansas City	265.6	+13.6	-5.9
18. Maryland, Virginia	251.8	+2.0	-8.1
19. North, South Carolina	296.7	+15.1	+2.6
20. Atlanta, Birmingham	350.6	+8.3	-3.8
21. Florida	350.2	+11.8	+8.1
22. Memphis	302.4	+3.9	-5.6
23. New Orleans	308.8	+9.6	-1.1
24. Texas	359.8	+10.5	+8.0
25. Denver	275.2	+17.4	-5.9
26. Salt Lake City	300.7	+13.7	-1.9
27. Portland, Seattle	315.6	+13.9	-4.3
28. San Francisco	281.6	+8.0	-6.6
29. Los Angeles	295.6	+5.3	-5.3

The Regional Trade Barometers are seasonally adjusted; 1935-1939 = 100.

Regional trade information is based upon opinions and comments of business men gathered and weighed by the local DUN & BRADSTREET offices. Payroll and employment data are from Government sources. Most of the information summarized here represents final figures for April.

Department store sales are from the Federal Reserve Board and are for the four weeks ended May 31, 1947.

More complete barometer figures and more detailed regional information is published in DUN'S STATISTICAL REVIEW.

HIGHLIGHTS OF TRADE ACTIVITY

1. New England Region

Barometer gain over a year ago slightly below U. S. gain, monthly drop sharper than U. S.: was 21% below U. S. barometer. Wholesale volume almost unchanged from a year ago. New England manufacturing employment 2% below a month ago, 6% above a year ago. New England department store sales 15% above a year ago. Woolen goods production limited largely to finer fabrics: worsted output near peak level. Farm activity delayed by late Spring.

2. New York City Region

Only barometer of 29 regions to drop below 1946 level, monthly decline moderate; was 16% below U. S. barometer. New York wholesale volume 15% above a year ago, Bridgeport up 10%. New York manufacturing employment slightly below previous month. New York City department store sales 10% above a year ago. Unusually cool weather adversely affected retail volume of some seasonal items. Moderate decline in manufacture of women's apparel, shoes, and radios.

(Continued on page 36)

How to stay out of this doghouse! ↓

Doghouse . . . Junior Executive size!

To enter, do any one of the following: Be late with that shipping order. Put off writing that report—or memo. Let important letters go unanswered.

Of course, you can blame it on person-to-person dictation—the outdated method that causes delay and confusion . . . that slows your work down to a crawl. You can blame office interruptions . . . telephone calls . . . that throw you off the dictation track, piling your desk high with unanswered correspondence.

Or—you can do what so many smart executives, junior and senior, are doing. You can switch to speedy, efficient Electronic Dictation!



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The following Canadian firms seek direct contacts in the U.S.A. They can: • Manufacture your products in Canada . . . • Exchange manufacturing rights . . . • Purchase parts to complete production . . . • Import and distribute your goods . . . • Act as factory representatives . . . • Sell Canadian products to U. S. buyers . . . or . . . • Render professional services.

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CHASSIS AUTOMOTIVE PRODUCTS, MONTREAL 3. Spring shackles and steering linkage component parts. Distributing all of Canada.
C. A. MUNRO LTD. SAINT JOHN, N. B. Manufacturers agents and distributors. Covering automotive and allied trades in the Maritime Provinces.

China, Glassware, Jewelry, Plastics

THE CHINA SHOP OF LONDON, LONDON, ONTARIO. Retail china. One of Canada's largest importers of china, crystal, etc., since 1902.
FRANK HACKING (CANADA) LTD. TORONTO 1. Covering coast to coast. Will act as factory representative or exclusive distributor.

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BLAIKLOCK BROS. LIMITED, 307 Common St., MONTREAL. Established 1876. Brokers, warehousemen and forwarding agents.
DAVIDSON & WRIGHT, VANCOUVER, B. C. Drawback and refund claim specialists. All export and import forms supplied on request.
SEABOARD BROKERS, HALIFAX, NOVA SCOTIA. Customs brokers. Specializing in forwarding imports, exports and in-transit shipments.
THOMPSON AHERN & CO., 40 Yonge St., TORONTO, ONT. Custom house brokers and forwarders. Suppliers of import and export invoice forms.

Food Brokers, Importers and Manufacturers Agents

MANITOBA
W. H. ESCOTT & CO. LIMITED, WINNIPEG, CANADA. Merchandise brokers. Grocery, hardware, drugs, etc. Cover all Canada.
W. L. MACKENZIE & CO. LIMITED, WINNIPEG, MAN. Branches Sask., Alta., B. C. Selling whol. tobacco, confectionery, grocery & paper trade.
FRANK H. WILEY LTD. WINNIPEG, MAN. Importers and distributors of wholesale grocery, drug, hardware and bakery lines for Western Canada.
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ANGEVINE & MCLAUCHLIN LTD. SAINT JOHN, N. B., HALIFAX, N. S. Full coverage Maritime Provinces, food products and other kindred lines.
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J. A. TILTON LTD. SAINT JOHN, N. B. Inquiries solicited for exclusive sales agency in food products, hardware, etc. N. B. and P. E. I.
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CREIGHTON'S LTD. HALIFAX, N. S. Offer aggressive sales representation throughout Nova Scotia for foods and allied products.
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ONTARIO

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H. J. PARR & CO. (B. 694), LONDON. Oil heating and dairy equipment. General hardware, household appliances. Distribution wholesale and retail.
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T. P. CALKIN LTD., KENTVILLE, NOVA SCOTIA. Wholesale jobbers, hardware, sporting goods, plumbing, heating supplies and specialties.

W. C. CHISHOLM MFG. CO., TORONTO. Will buy electrical switches, elements or heater cord, give Canada-wide distribution of electrical and household appliances, or manufacture similar lines.

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ELECTRICAL WHOLESALERS LTD., CALGARY. Desire radio, major appliances, commercial refrigeration. Exclusive Alberta distribution.
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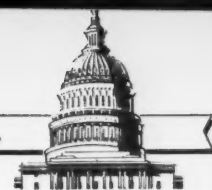
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(CONTINUED FROM PRECEDING PAGE)

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3. Albany, Utica, and Syracuse Region

Barometer gain over a year ago slightly above U. S. gain, monthly drop among the sharpest; was 9% below U. S. barometer. Albany wholesale trade 18% below a year ago, Syracuse up 14%. Binghamton shoe production near peak level. Syracuse department store sales 18% above a year ago. Resistance among consumers directed toward quality and price.

4. Buffalo and Rochester Region

Barometer gain over a year ago slightly above U. S. gain, one of four regions to increase from March; was 1% above U. S. barometer. Buffalo wholesale volume slightly above a year ago. Rochester down 15%. Buffalo department store sales 14% above a year ago, Rochester up 15%. Industrial production high.

5. Northern New Jersey Region

Barometer gain over a year ago below U. S. gain, monthly decline moderate; lowest barometer of all regions, was 22% below U. S. barometer. Newark wholesale volume 3% below a year ago. Newark building permit values 88% above a year ago, Jersey City almost tripled. Newark department store sales 6% above a year ago. Employment and production maintained at very high levels; almost no time lost through strikes.

6. Philadelphia Region

Barometer gain over a year ago among the smallest, monthly decline among the sharpest; was 13% below U. S. barometer. Philadelphia wholesale trade slightly above a year ago, Lancaster up 17%, Scranton 15%, Reading and Wilkes-Barre 5%; Trenton down 6%, Wilmington down 10%. Philadelphia department store sales 16% above a year ago. Moderate decline in output of textiles and paper products.

7. Pittsburgh Region

Barometer gain over a year ago close to U. S. gain, monthly decline among the smallest; was 12% below U. S. barometer. Pittsburgh wholesale trade 12% above a year ago, Erie up 20%, Charleston 10%; Huntington down 3%. Pittsburgh factory employment 2% above a month ago, 16% above a year ago; Erie up 1 and 21%. Pittsburgh department store sales 12% above a year ago.

8. Cleveland Region

Barometer gain over a year ago moderately above U. S. gain, monthly decline small; was 4% below U. S. barometer. Toledo wholesale trade 12% above a year ago, up 5% in Cleveland, Akron, Lima. Cleveland and Toledo department store sales 11% above a year ago, Akron up 5%. Cleveland steel production at 97% of capacity.

9. Cincinnati and Columbus Region

Barometer gain over a year ago slightly exceeded U. S. gain, monthly decline close to U. S. decline; was 4% below U. S. barometer. Cincinnati wholesale trade 11% above a year ago, Columbus up 10%, Dayton down 2%. Cincinnati department store sales 15% above a year ago, Columbus up 9%. Moderate consumer resistance to high retail prices.

10. Indianapolis and Louisville Region

Barometer gain over a year ago fourth highest of all regions, monthly decline even with U. S. decline; was 12% above U. S. barometer. Indianapolis wholesale trade 1% above a year ago, Fort Wayne up 20%, Evansville up 15%. Indianapolis department store sales 12% above a year ago, Louisville up 27%. Farm activity considerably delayed by continued wet weather.

11. Chicago Region

Barometer gain over a year ago less than U. S. gain, monthly decline moderate; was 11% below U. S. barometer. Chicago wholesale trade 9% above a year ago, Peoria up 15%, Rockford 14%, Springfield 32%. Chicago department store sales 19% above a year ago. Industrial output very high; material and parts shortages hampered some producers.

12. Detroit Region

Barometer gain over a year ago highest of all regions, monthly drop among the sharpest; was 1% below U. S. barometer. Detroit wholesale trade slightly above a year ago, Grand Rapids up 23%, Saginaw up 13%. Michigan manufacturing employment 1% above March, 13% above a year ago. Detroit department store sales 17% above a year ago.

13. Milwaukee Region

Barometer gain over a year ago below U. S. gain, monthly drop among the sharpest; 1% above U. S. barometer. Wholesale trade slightly above a year ago in Milwaukee, Green Bay. Wisconsin manufacturing employment unchanged from high March level, payrolls up 1%. Milwaukee department store sales 10% above a year ago. Corn planting behind schedule.

14. Minneapolis and St. Paul Region

Barometer gain over a year ago second highest of all regions, monthly drop among the sharpest; was 6% below U. S. barometer. Minneapolis wholesale trade 8% below a year ago, St. Paul up 10%, Duluth up 11%, Butte 15%, Billings 7%, Fargo 2%. Retail volume high; price resistance directed toward luxury items.

15. Iowa and Nebraska Region

Barometer gain over a year ago moderately exceeded U. S. gain, monthly drop sharpest of all regions; was 2% below U. S. barometer. Des Moines wholesale trade 15% above a year ago, Sioux City 16%, Omaha 7%, Cedar Rapids 10%, Davenport 5%, Lincoln down 5%. Iowa industrial employment 1% below a month ago, 10% above a year ago. Nebraska department store sales 9% above a year ago.

16. St. Louis Region

Barometer gain over a year ago slightly above U. S. gain, monthly drop sharp; was 8% below U. S. barometer. St. Louis wholesale trade 5% below a year ago. St. Louis industrial employment unchanged from a month ago, moderately above a year ago. St. Louis department store sales 15% above a year ago. Progress of Winter grains satisfactory; pasture growth well advanced.

17. Kansas City Region

Barometer gain over a year ago slightly above U. S. gain, monthly decline moderate; was 2% below U. S. barometer. Kansas City wholesale trade 10% below a year ago, Wichita down 15%, Tulsa down 7%, Oklahoma City unchanged, St. Joseph up 7%, Topeka up 4%. Kansas City department store sales 9% above a year ago, Wichita up 6%, St. Joseph up 10%, Oklahoma City up 4%, Tulsa up 8%.

18. Maryland and Virginia Region

Barometer gain over a year ago the smallest of all regions, monthly drop sharper than U. S. drop; was 8% below U. S. barometer. Baltimore wholesale trade 8% below a year ago, Richmond down 10%, Bristol unchanged, Norfolk up 2%, Lynchburg up 12%, Roanoke up 35%. Baltimore department store sales 9% above a year ago, Washington up 7%.

19. North and South Carolina Region

Barometer gain over a year ago well above U. S. gain, one of four regions to increase from March; was 9% above U. S. barometer. Greensboro wholesale trade 10% above a year ago, Raleigh up 5%; Charlotte, Greenville, Winston-Salem down 3%, Asheville down 15%. Retail volume slightly above a year ago; price resistance directed toward luxury items.

20. Atlanta and Birmingham Region

Barometer gain over a year ago below U. S. gain, monthly decline close to U. S. decline; second highest barometer of all regions, was 29% above U. S. barometer. Birmingham wholesale trade 20% above a year ago, Savannah and Knoxville up 8%, Mobile 6%; Nashville, Chattanooga down 10%. Atlanta department store sales 5% above a year ago, Augusta up 14%, Birmingham up 18%, Nashville 13%.

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really cost you?*



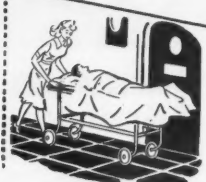
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21. Florida Region

Barometer gain over a year ago slightly exceeded U. S. gain, sharpest monthly rise of all regions; third highest barometer of all regions, was 29% above U. S. barometer. Miami wholesale trade 25% below a year ago, Jacksonville up 8%, Tampa up 5%. Miami department store sales 7% above a year ago, Jacksonville up 5%.

22. Memphis Region

Barometer gain over a year ago among the smallest, monthly decline moderate; was 11% above U. S. barometer. Memphis wholesale trade 5% below a year ago, Little Rock down 13%. Arkansas total employment 3% above March. Memphis department store sales 15% above a year ago, Little Rock up 4%. Cold wet weather delayed growth of cotton crop.

23. New Orleans Region

Barometer gain over a year ago slightly below U. S. gain, monthly decline among the smallest; was 11% above U. S. barometer. New Orleans wholesale volume 5% above a year ago, Jackson up 10%. Louisiana manufacturing employment 1% above March, payrolls up 3%. New Orleans department store sales 12% above a year ago. Moderate increases in shipbuilding, food processing. Shipments of truck crops started.

24. Texas Region

Barometer gain over a year ago even with U. S. gain, monthly rise among the sharpest; was highest barometer of all regions, 32% above U. S. barometer. Houston wholesale volume 8% above a year ago, Fort Worth up 5%, El Paso unchanged. Dallas department store sales 3% above a year ago, Fort Worth and Houston 13%, San Antonio 17%.

25. Denver Region

Barometer gain over a year ago among the sharpest, monthly decline moderate; was 1% above U. S. barometer. Denver and Albuquerque wholesale volume 20% above a year ago. Industrial production steady at a high level; almost no time lost through strikes. Denver department store sales 13% above a year ago. Outlook for Winter grains excellent.

26. Salt Lake City Region

Barometer gain over a year ago moderately above U. S. gain, monthly decline among the smallest; was 1% above U. S. barometer. Salt Lake City wholesale volume 30% above a year ago. Utah total employment 3% above a month ago, 10% above a year ago. Salt Lake City department store sales 6% above a year ago. Favorable outlook for sugar beet crop.

27. Portland and Seattle Region

Barometer gain over a year ago moderately above U. S. gain, slight monthly decline; was 16% above U. S. barometer. Seattle wholesale volume 15% above a year ago. Spokane up 5%, Tacoma 10%. Washington manufacturing employment 1% above a month ago, 1% below a year ago. Seattle department store sales 4% above a year ago, Portland up 8%.

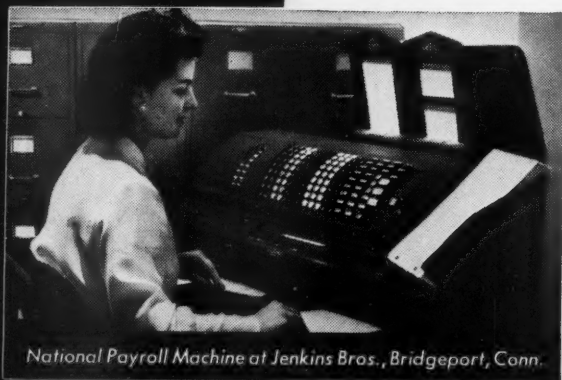
28. San Francisco Region

Barometer gain over a year ago slightly below U. S. gain, monthly decline sharper than U. S.; was 4% above U. S. barometer. San Francisco wholesale volume 15% above a year ago, Sacramento unchanged. California manufacturing employment 1% above a month ago, 8% above a year ago; Nevada up 6 and 28% to a new post-war peak. San Francisco department store sales 1% below a year ago.

29. Los Angeles Region

Barometer gain over a year ago among the smallest, monthly decline moderate; was 9% above U. S. barometer. Los Angeles wholesale volume 8% above a year ago. Southern California industrial employment 2% below a month ago, 1% above a year ago; Arizona manufacturing employment 2% above March, 22% above a year ago. Los Angeles department store sales 12% above a year ago.

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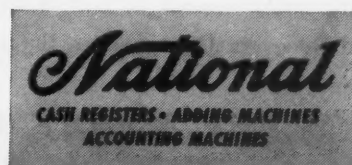
"Since the installation of a National Payroll Machine a year and a half ago, we have reduced our payroll department costs 30% with greatly increased efficiency. Prior to the installation, we had great difficulty in meeting the pay date; now we have one day and a half per week for payroll distribution purposes.

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"We also use National machines for accounts payable, all distribution work, and stock record keeping. On these same machines, we post our general ledger and all subsidiary records."

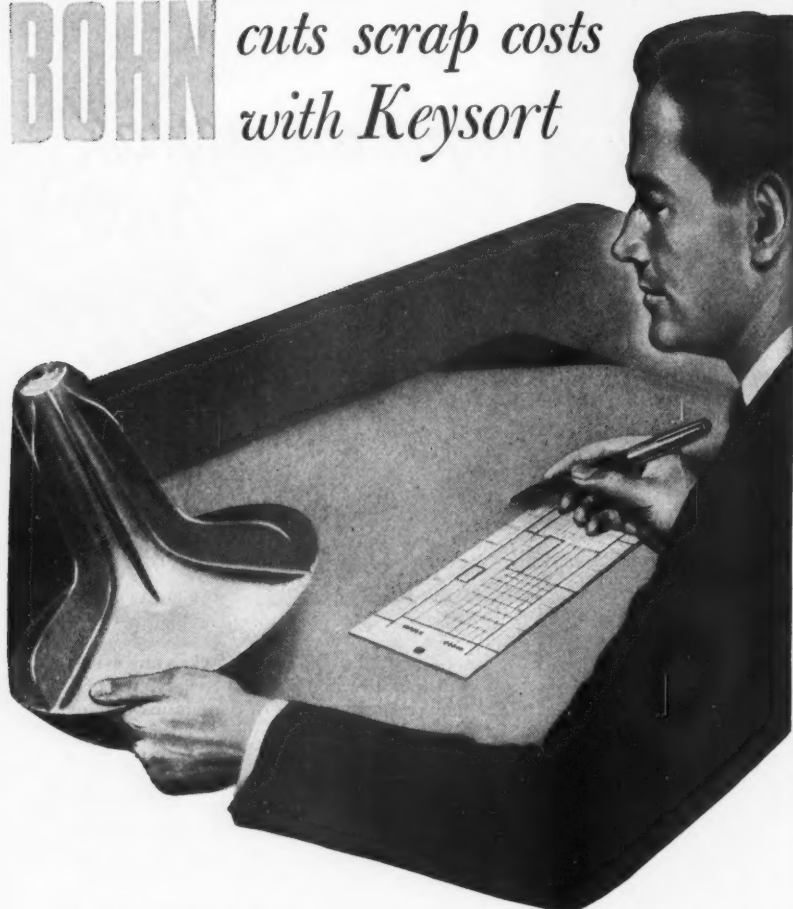
These National Payroll Machines prepare a pay check, or pay envelope, showing in clear, printed figures the gross amount of pay, the specific amount of each deduction, and the net amount of pay. In the same operation, they simultaneously produce a complete payroll summary and detailed employees' earning record; Labor cost analysis can also be carried out on these same National Payroll Machines.

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MANAGEMENT

(Continued from page 12)

tions made by George Rommey on abuses of this sort in the automotive industry probably could be duplicated in many other sections of wartime industry. This seems to be an air-borne virus with which large numbers of industrial organizations have become infected to some degree. Competition in both domestic and international markets may prove the most effective antiseptic.

Giving Merit Its Due—From all the signs, it appears that personnel adjustments made during reconversion—lay-off, transfers, downgrading, and so on—may be made on the basis of seniority alone. This, because such a policy is expedient. The competitive handicap that will result will be serious enough, but a more important consideration is the fact that management will have abandoned a point of principle; namely, the principle that merit and ability should take precedence over straight seniority in job preference. Rank-and-file employees and unions must be sold on the idea that the only fair way to select the employees who are to be rewarded is on the basis of *total performance*—ability, service record, and length of service.

Unionization of Management—The American Management Association has investigated this development with care, and the studies so far unmistakably indicate that this trend is not one that management dare neglect. Ninety-five per cent of American companies have regarded the unionization of foremen as the other fellow's problem. If foremen unionize on a wide scale, it will be management's fault, and if they do, it will be management's loss.

Labor relations is considered by the public to be a matter of laws and legislation. It is not. Unions have not provided any more for American workers than employers could provide. Management's chief "labor problem" lies in its handling and development of people—in providing the satisfactions and recognition for which people work.

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for reexamination. For the most part, these plans are relatively new in American industry—new from the standpoint that we have not lived with them long enough to learn how they really work over the long term. Experience *has* been long enough, however, to indicate that contingencies do continue to arise that upset the original calculations.

CANADA

(Continued from page 24)

gone or to-day would be prepared to go" in eliminating tariffs, and in permitting trade to flow unhindered across their borders.

All the Canadian political parties are on record as calling for freer trade, more trade, and the closest economic ties with the United States. Moreover, in February 1944 a Gallup poll revealed that 70 per cent of the Canadians are in favor of immediate free trade between the two countries. This should surprise no one, for the aid which the United States has given to Canada has helped to open up Canadian resources to an amazing extent, as witness the "Canol" oil undertaking and even the dubious Alaskan Highway. No national pride, no suspicion, no jockeying for advantage, and no selfish interests have intervened.

It would be difficult to find a clearer instance of the blighting effects of nationalism upon the trade relations of two countries than is to be found in this Canadian-American situation. Here again it is solely the difference in the national flag, which for generations has impelled the leaders of both countries each to regard the other as a dangerous competitor and to engage in tariff wars. Were Canada to join this country, the most hide-bound protectionist in Washington would of course never think of demanding a tariff between the two sections of the United States. As this is not the case, we continue to consider the Canadians primarily as foreigners so that, despite our fundamental kinship with them in ideals and language, we have done our best to keep the two peoples apart by putting just as many hindrances as possible in the way of our joint trade.

At times this protection rivalry has given rise to such bitter feeling as to threaten most serious results. For example, Rudyard Kipling declared on the day when the Canadians rejected a reciprocity treaty with the United States in 1911, that "it is her own soul that Canada risks to-day."¹ The bitterest antagonists of the treaty in Canada called for "no truck or trade with the Yankees"—strange reading in the light of the complete comradeship of to-day. These words were of course echoed on our side of the boundary by politicians more eager to get votes than to bring about tariff union.

Obstacles

The treaty would have had a much better chance of acceptance in Canada if it had not been for statements made by William J. Bryan, Champ Clark, and others. The annexation bogey was also trotted out and played its part in the defeat of the Laurier reciprocity proposal. The unqualified urging in New York on November 19, 1909, of James J. Hill, president and builder of the Great Northern Railway which did so much to open traffic between the two countries, for free trade between them was disregarded. He declared: "That commerce must eventually move unrestrained between the United States and Canada is self-evident. Why not strike off the shackles now and let it move freely instead of paying the heavy penalty of delay?"

What are the concrete obstacles in the way of American agreement to tariff abolition so far as Canada is concerned, aside from the ingrained protective character of our economic policies? Primarily there is the startling fact that, as one looks at Canada, one discovers that American manufacturers have sought to have their protection cake and to eat it, too. By 1941, they had invested \$4,000,000,000 in Canada, three times as much as in any other country, and as a result they then controlled or owned outright one-fourth of all the manufacturing in Canada. All the great American companies, like General Electric, Westinghouse, General Motors, Ford, Bell Telephone, the

¹ Mr. Kipling deliberately overlooked the Reciprocity Treaty which existed between the United States and Canada in the year 1854 as a result of which the total trade between the two countries rose from \$35,000,000 to \$57,000,000 in 1856. It expired in 1866, apparently leaving Canada's soul untainted.

Aluminum Company of America, and numerous others have branch plants on the other side of the boundary.

No less than 1,200 American manufacturers have established Canadian branches. As far back as 1934 there were 690 firms, with a capitalization of \$545,692,000 employed in straight manufacturing, while 115 made the pulp and paper our printing industry has relied upon because of the exhaustion of our own pulpwood forests. And there were 49 firms engaged in mining and smelting, while 81 others were in the category of public utilities.

By 1938 American-owned companies made 82 per cent of all the trucks and automobiles manufactured in Canada, 68 per cent of the electrical apparatus, 44 per cent of non-metallic mineral manufactures, 41 per cent of chemicals, 42 per cent of agricultural, industrial, and office machinery, and 40 per cent of miscellaneous manufactures. As we have already mentioned, these figures are being much altered by the hundreds of millions of dollars now being invested in Canada by American concerns.

American Market

It is a curious fact that these American businesses in Canada profit by the imperial preference system, first adopted by Canada in 1897 and extended and increased several times between then and 1932 for the express purpose, among others, of enabling Canada to find other trade outlets since she was so considerably excluded from the American market. It was also due, of course, to the desire of other British possessions, like the British West Indies, to obtain Canadian markets for their products. It was not so much a purpose to shut out American and other foreign goods, some people insist, as a wish to obtain increased trade with other nations. But the upshot was that the Americans in Canada have been benefiting by this very device to increase trade between the Dominions and other parts of the Empire!

It will be a misfortune, indeed, if the present golden opportunity for bringing the two countries together were to be lost. If the United States refuses to respond, then Canada will perforce be pushed into closer and closer relations

(Continued on page 46)

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INTERCOM AGENCIES PTY. LTD. (B 1587). Manufacturers' representatives, organized to attend to international commerce as import and export agents.

KAY'S AGENCIES, 55 Hout St. Manufacturers' representative cotton piece goods all descriptions, towels. Other soft goods.

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D. D. TAIT (B 2846). MANUFACTURERS' REPRESENTATIVE. BRANCH OFFICE: CAPE TOWN. ASSOCIATED OFFICES: JOHANNESBURG, PORT ELIZABETH, EAST LONDON. DOMESTIC AND BUILDERS' HARDWARE. LAMPWARE. DOMESTIC ELECTRIC APPLIANCES. PROPRIETARY FOOD-STUFFS, CANNED SEAFOODS, AND MEATS, ETC.

LARGESSE & CO. PTY. LTD. (B 2607). Export all grades of minerals, chrome ore, maganese ore, graphite, mica, etc.; wine and spirits. Import timber, heavy chemicals, fertilizers, etc.

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JOHANNESBURG, S. A.

ARGOSY IMPORTS PTY. LTD. (B 2452). Branches throughout South Africa. Specializing in women's, children's clothes and underwear, fancy goods, novelties and piece goods.

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COMMODITY AGENCIES (B 1711). Produce, industrial raw materials, timber. **B. P. DAVIS LTD.** (B 3371). Representing Bauer & Black, Chesbrough Manufacturing Co., American Chiclé Co., etc. Members Johannesburg C. of C., A.M.R.A.

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CONTINUED IN FIRST COLUMN ON NEXT PAGE→

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LENNON LIMITED (B 8389). Wholesale manufacturing and retail chemists and druggists. (Est. 1850). Branches throughout S. Africa and Rhodesia.

LIBERTY AGENCIES PTY. LTD. (B 6019). Also at Cape Town, Durban, Bulawayo. Manufacturers' representatives and distributors for Southern Africa. Handling all types fashion goods and sports wear, textiles, toys, glassware, fancy goods and all general merchandise under specialized departments.

KENNETH R. MENTZ (B 7592) also Cape Town and Durban. MANUFACTURERS' REPRESENTATIVES desirous contacting MANUFACTURERS of cotton and rayon textiles, soft furnishings, rugs, carpets, proprietary grocery and confectionery goods, industrial raw materials, sporting goods. References: Apply Wilson Bros., Box 772, Chicago.

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H. POLLIACK & CO. LTD. INCORPORATING MACKAY BROS. LTD., MACKAY BROS. & McMAHON

LTD. Cape Town, Durban, Port Elizabeth, Pretoria, musical, electrical goods.

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SIDNEY SIPSER & CO. (B 6011), Ottawa House, President St. Also Cape Town (B 2391). Cable: "Gownsipser." Indent agents, distributors ladies' frocks, coats, sports and underwear, showroom goods, etc.

FRED. C. SMOLLAN PTY. LTD. (B 3769). Raw materials, timber, building materials, hardware, window glass, upper leathers, upholstery leathers, chocolates, canned fish and food products.

SOUTH AFRICAN DRUGGISTS LTD. (B 5933). Wholesale chemists, manufacturing druggists, opticians, photographic dealers; fine, industrial, pharmaceutical chemicals.

TAYLOR & HORNE, 176 Jeppe St. Branches at Cape Town, Port Elizabeth, East London, Durban, Bloemfontein, Pretoria, Bulawayo and Salisbury. Dental sundries, toilet requisites, etc.

H. E. TEIFEL & CO. (B 9487). Industrial raw materials, paper and cardboard, cotton yarns, textiles, light and heavy chemicals, canned goods manufactured products, steel and tinplate.

JOHN G. TRAIN & CO., 149 Commissioner St. Also Cape Town, Durban. Cotton and rayon textiles, yarns, hosiery, knitwear, fancy goods, food-stuffs, toys.

WESTDENE PRODUCTS PTY. LTD. (B 7710). Also at Cape Town, Port Elizabeth, Durban, Salisbury, Windhoek, Bloemfontein, Bulawayo. **NATIONALLY ADVERTISED MEDICINES AND TOILET GOODS FROM MANUFACTURERS ONLY.**

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GILCHRIST'S ELECTRICAL STORES PTY. LTD., Main St. Electrical and radio equipment.

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S. HALLIS & CO. PTY. LTD. (B 143). Est. 1890. Seeking agencies for picture frames, pottery, handbags, etc. Fancy goods all description. Efficient representation throughout S. A. assured.

JAYDEE DISTRIBUTORS PTY. LTD. (B 108). Crockery, glassware for general wholesale and retail selective and exclusive trade; general and household hardware and motor accessories; silk and nylon stockings.

A. J. PUDNEY & CO., Grace St. Household aluminum, enamel and glassware, toys, general hardware, flower and vegetable seeds, small farming and gardening implements.

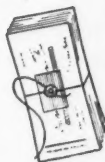
WARD & JOHNSON PTY. LTD. (B 1080). All domestic electrical appliances, radio, refrigerators and musical supplies.

RHODESIA, S. A.

AFRICAN COMMERCIAL CO. LTD. (B 1108), SALISBURY. Proprietary medicines, toilet and beauty preparations, groceries, confectionery, stationery, office equipment, textiles, men's, women's, children's clothing and footwear and fancy goods.

H. GALANTE (B 380), SALISBURY. Inquiries invited. Textiles, enamelware, hardware, groceries, timber, household goods, men's and ladies' wearing apparel, leather goods, branches Rhodesia, Belgian Congo, Portuguese East Africa, Tanganyika.

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with England and with other countries to our hurt. As Mr. Ilsley has said, for Canada "world trade is the very bloodstream" and it will not be deterred by any American shortsightedness from getting that trade elsewhere if it cannot do all the business it desires with its immediate neighbor.

Meanwhile the Canadian Government has given further proof of its desire to co-operate with us. Thus, in June 1944 Parliament rescinded the War Exchange Conservation Act which had set up special wartime prohibitions or restrictions on the import of non-essential merchandise from hard-currency countries. The only restrictions now are those pertaining to the rationing of scarce materials, and these are arrived at usually by conferences between representatives of the two countries.

Again, the 10 per cent War Exchange Tax voted in 1940 as an additional source of revenue, and in order to restrict purchases from hard-currency countries, was repealed in its entirety as of October 13, 1945, a clear indication that Canada did not intend to hold to wartime restrictions in trade matters a minute longer than absolutely necessary. Hence, in discussing tariff relations between the two countries in the future, we need only think of normal rates and regulations.

Aims of Canadian Government

In the Spring of 1945 the Canadian Government announced its post-war policies as follows: It will do its utmost to build up the exporting capacity of other nations so that Canada may ultimately receive payment in imports for its exports and it will work hard to obtain from other countries "zealous collaboration on broad lines for the reciprocal reduction and removal of trade barriers." It aims to export \$1,750,000,000 worth of goods annually—a 50 per cent decrease from its wartime top mark, and a 60 per cent increase in dollar value above the export level maintained before the war. "It is especially noteworthy that it looks to this international interchange of goods as "the greatest dynamic force influencing the level of national income and employment in Canada." To further it the Government will reduce certain taxes and will follow a fiscal policy

planned to stimulate private capital investments.²

This was reaffirmed by James A. MacKinnon, Minister of Trade and Commerce, before the Canadian Chamber of Commerce in London, who declared, on January 22, 1946, that the present Canadian Government is now promoting imports as its predecessors sought to increase exports. This policy is strongly upheld by Canadian industrialists like R. C. Stanley, Chairman of the International Nickel Company of Canada, Ltd., who has urged the reducing of exchange restrictions, and "eliminating unnecessary tariffs and governmental trade barriers," while the Canadian Importers and Traders Association has issued a brief in which it declares that "one-way trade and bilateral agreements which brought the world to the present cataclysm *must* be a thing of the past."

"Canada a World Power"

Americans must realize that they are no longer dealing with a small and insignificant Dominion, but that, as Mackenzie King has put it, "in the course of the present war we have seen Canada emerge from nationhood into a position generally recognized as that of a world power." Canada has certainly achieved enough since 1939, and given us such outstanding aid, as to be able to demand the fullest equality of consideration. The Dominion has not even accepted lend-lease aid from us, but has paid us for all war materials or manufactured articles imported from the United States for the use of its military or naval forces, while raw materials bought from us by Canada for use in making armaments for England were debited to England under lend-lease. In these war relationships Canada's aim has been the mutual benefit of both countries without any selfish purpose or any objective that it was not willing to share with us or any other country.

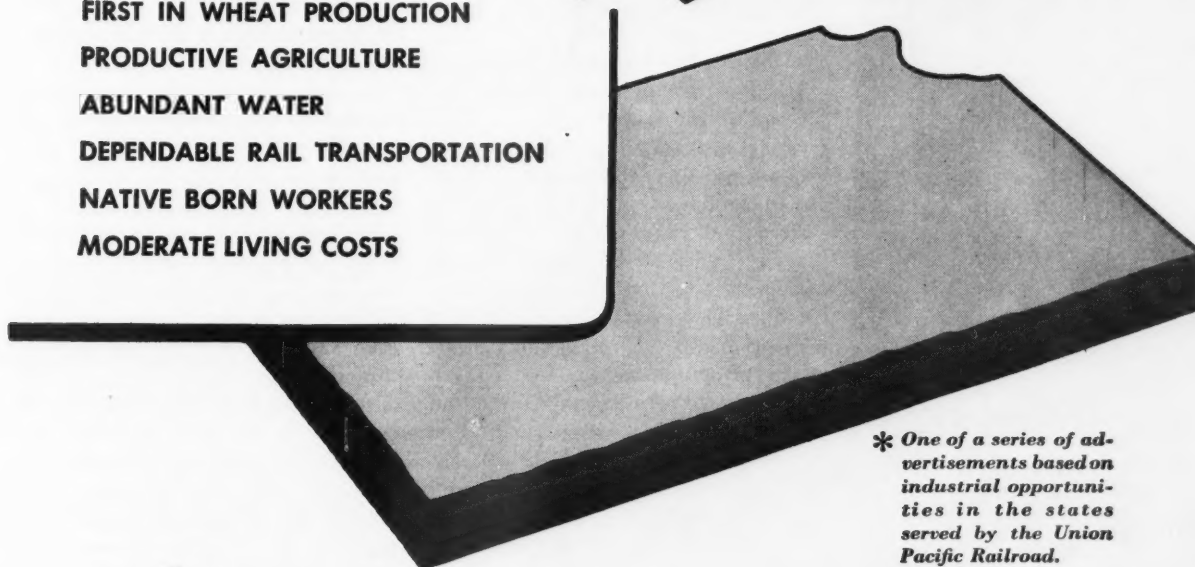
If the Dominion is now met with similar evidences of American goodwill and the desire to make our post-war relations as close as those between the individual American States, not only will the two countries profit, but the whole world.

² Monthly Trade Review of the Bank of Montreal, May 1945.



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PROGRESSIVE INDUSTRY
FIRST IN WHEAT PRODUCTION
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ABUNDANT WATER
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NATIVE BORN WORKERS
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Kansas *



** One of a series of advertisements based on industrial opportunities in the states served by the Union Pacific Railroad.*

KANSAS—almost in the exact geographical center of the United States; an important factor to industries serving nationwide markets.

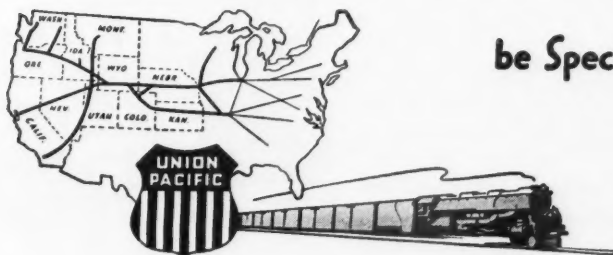
Agriculture is king. Kansas normally ranks first in wheat production. In addition to grains, vegetables and fruits, a large part of farm income is derived from livestock and poultry.

Kansas industry keeps step with agriculture. There are approximately 2,500 manufacturing and processing establishments. Over four million

tons of coal are mined annually. Here is the largest natural gas field in the world. Eighteen principal rivers with two great watersheds provide an abundance of water. The population is 97 per cent native born.

★ ★ ★

Kansas . . . the hub of a rich market; a treasure chest of natural resources with dependable labor; outstanding public health record; moderate living costs; and excellent transportation over Union Pacific rails.



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** Address Industrial Department, Union Pacific Railroad, Omaha 2, Nebraska, for information regarding industrial sites.*

UNION PACIFIC RAILROAD
THE STRATEGIC MIDDLE ROUTE



KEEP FLOORS RIGHT
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Here's machine-power that saves man-power... and cuts costs for you! Equip now with American Deluxe Floor Maintenance Machines... speedy and powerful for steel wooling, polishing, scrubbing, buffing or disc sanding. Easy to operate... dependable... for all types of floors. Sizes include brush spread of 13, 15 or 17 inches. Write for details. The American Floor Surfacing Machine Co., 536 So. St. Clair Street, Toledo 3, Ohio.

FLOOR MACHINE MANUFACTURERS
SINCE 1903

Specify

AMERICAN
Deluxe FLOOR MAINTENANCE
MACHINES

CONTROLLING DISTRIBUTION COSTS

(Continued from page 22)

here lies the second answer to the control of distribution costs—the determination of the sales revenue to be expected under different circumstances of operation with their attendant, varied cost patterns.

It should be added that market research does not have to go on all the time any more than it is necessary to make continuous appraisals of marketing strategy. But how many companies ever do a thorough job? How can one say his marketing costs are reasonable without knowing what income such a pattern of cost (properly directed) should bring?

Finally, assume that the strategy is sound and the sales program keyed to maximum sales. How about the efficiency of marketing performance and the efficiency of our distribution policies?

The achievement of efficiency in marketing may be defined as the achievement of optimum sales with a maximum spread between gross profit and selling costs. Such over-all efficiency in its cost aspects is predominantly a function of the degree of efficiency at four different points:

1. The efficiency of labor in performance of assigned jobs.
2. The efficiency of operating routines established for performance of the individual jobs.
3. The degree of utilization of the capacity of plant, equipment, and labor.
4. The efficiency of marketing policy.

To anyone thoroughly familiar with industrial engineering or cost accounting, it is obvious that techniques exist for the measurement in terms of dollars and cents (and that is what counts) of the efficiency of labor, and the costs of sub-capacity operation in the performance of the routinized functions of marketing—order filling accounts receivable, grading and sorting, and so on. A fair job of measurement is possible with respect to semi-routinized functions, such as delivery.

It is difficult to go beyond a detailed individual check in cost terms to find undue costs or losses from inefficient performance or sub-capacity operations of such functions as outside sales solicitation.

Nor are there currently available means whereby most companies could check the efficiency of operating routines, although such means could readily be developed (the technique is simple) if interest were centered on the subject.

There are limitations in this field, for the present at least; but it is still true that a 70 per cent to 80 per cent job of efficiency measurement in terms of cost could be completed. The advantage to be gained by such study has been too often overlooked.

But most people interested in the efficiency of marketing are concerned (usually quite properly) not with operations but with marketing policy. And it is this field which most particularly deserves development and application by business executives, for it concerns the cost of marketing, resulting from the sale of specified products, from sale to particular customers or customertypes, from different units of sale, different transaction types, and so on. This is the field which has been labelled "distribution cost analysis."

There is quite general recognition of the fact that manufacturers, wholesalers, and retailers find it much more expensive to sell some products than to sell others. Indeed, it is this knowledge which induces manufacturers to offer, and distributors to demand, quite different discounts on different products. Similarly, it is admitted that there are material variations in the cost of selling different customers of a single class of



"Evans, I guess you're high man for the week."

Why the Railroads Can't Afford NOT to Modernize!

A Dollars-and-cents Example That Will Interest Travelers, Labor and Investors

For a long time the C&O has said that America's railroads must modernize their passenger equipment—or forfeit a great opportunity.

In print and in private we have lampooned the “rolling tenements” that still pass for sleeping cars. We have stumped for modern streamlined trains to replace tired, creaking old day coaches. And over and over we have stated that, given attractive equipment, and new comforts and services, railroads could open the door on a new era of travel... The C&O is replacing every old sleeping car, day coach and diner on its main lines, with streamlined cars.

But Is It Practical?

Standpatters in the industry are still shaking their heads. But lately more reasonable people have been asking, “How can the large-scale replacement of old trains be practical?”

They point out that several of our largest systems had serious deficits in 1946. And everyone knows that the railroads are caught between rocketing costs and lagging rates. “How,” they ask, “can such an industry afford large outlays for new equipment?”

The answer is that the railroads can't afford *not* to make these outlays. And here is a dollars-and-cents example:

The Investment That Is Fast Returning Its Cost

Last August one of the C&O Lines, the Pere Marquette, installed two new day-time streamliners—the last word in passenger attractiveness.

The new trains have carried 86% more passengers than old trains carried over the same route during the same period of the previous year—when traffic was still swollen by war emergencies.



Which will it be—modernization or continued deficits?

Here is the proof of the pudding: In less than 4 years, at the present rate, the increase in passenger receipts will equal the total cost of the trains!

Modern equipment is not a luxury that only a few fortunate systems, like the C&O, can afford. Even a bankrupt railroad can borrow money today to buy such equipment at 2% interest.

Which Way Do We Go?

Railroads now face a critical choice:

If pessimist thinking, old-line practices and Toonerville equipment continue to be tolerated, then regardless of rate relief, further deficits and bankruptcies are certain.

But, if, on the other hand, these liabilities are replaced by modern ideas and modern trains, our railroads can again be a credit to our country. They can also be a bulwark of our national defense, which, as every citizen knows, depends on a flourishing transportation system.

The Chesapeake and Ohio Lines

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M. CALDERON LTD., 3/4 Eden St., London, N.W. 1. Manu-facturers and exporters of electrical goods specializing in equipment for permanent waving. Hair dryers of modern de-sign, permanent waving machines and heaters for all methods, also setting hoods.

"Doc" Hetz "The Factory Mortician" Says:—



"There are hundreds of failures monthly—many being concerns of considerable size. When affairs get into the hands of creditors, then management forfeits its freedom of movement. There was an interval of time in each failure's past, just prior to court action, when we could have helped, not only management, but creditors and stock-holders as well. Now the need for our assistance is even greater. Thanks."

HETZ CONSTRUCTION CO., 2425 W. Market St., Warren, Ohio

The best name in industrial reclamation—Purchasers of Buildings, Land, Equip-ment, Materials, Intangibles, Milltowns, etc.

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Imagine: You are sitting at your desk on top of which is a handsomely styled Talk-A-Phone master station . . . reach out, flick a switch . . . *instantly* you have established contact with *any* department, *any* individual in your organization that you may desire.

Talk back and forth with a single person, hold a conference with several at the same time, as you wish. *Everybody* stays on the job. No lost time. No lost motion. Efficiency is stepped up. Production speeded up.

Talk-A-Phone is a highly perfected product of pioneer electronic en-gineers who make *only* inter-commu-nication and *only* the best. A unit for every requirement.

Ask your jobber or dealer, or send for catalog of the world's most *complete* line of inter-communication . . . the *very* latest advancements. Address Dept. B



Talk-A-Phone Co.

1512 S. Pulaski Road Chicago 23, Ill.

trade, customers of similar size but in different trades, customers located in different areas, and so on. We have all heard of the high cost of small orders; and we know, in general, that the cost of selling by mail varies significantly for a single manufacturer from the cost of selling by telephone, through trav-elling salesman, or through home office display rooms.

Review Selling Operations

It is possible to determine fairly ac-curately just how much difference in cost there is and the particular reasons for the difference. To do so requires a careful review of the selling opera-tions of a company and a re-classifica-tion of the expense data available in regular accounting records.

One must first put down on a sheet of paper a list of different activities un-dertaken in marketing. The list will include such things as outside selling, delivery, accounts receivable, order fill-ing, buying, storage, and so on. These are the marketing functions for which men are hired, space is rented, and other costs incurred.

The second step is to determine as precisely as possible the actual amount of the expenses involved in the per-formance of each function—how much of the salaries, rent, travelling expense, and so on, were paid in order to get order filling, or accounts receivable, or storage taken care of.

The third step involves decision con-cerning the factors which increase or decrease the costs of performing each function. It will be found that the fac-tors are generally associated with the products handled or with the customers to whom they are sold. Thus, the cost of outside selling (maintenance of trav-elling salesmen) tends to vary with the distance salesmen have to travel and the number of calls they must make. As between customers, the greater the amount of travel and the more fre-quently they are called on the more expense is involved. Outside selling expenses may be allocated to customers on these bases. Warehouse handling costs vary as between products on the basis of the number of units handled and the bulk or weight of the product. Handling costs should be charged to the different products accordingly. Ac-counts receivable costs vary roughly in

direct ratio to the number of orders received. Customers who order frequently cause the seller to incur greater costs in handling accounts receivable than is the case with customers who place large orders infrequently.

One can go over the entire range of marketing activities in which a company engages and place against each one or two bases of cost variation as between different products or customers. The list should then be reviewed to see whether the number of bases can be narrowed, just to save paper work at a minimum loss of accuracy. Then cost allocations may be made by products and for customers. At the end, a profit and loss statement can be set up showing sales, gross margin, itemized functional selling costs, and net profit for each product and/or customer.

Analyze Cost Information

The results obtained from such a cost analysis should precede a general review of many of the company's most important marketing policies. It is common to discover that a large number of products and customers are handled at a loss. The reasons become plain after a glance at the profit and loss data. One can then consider possible courses of action—different packaging or promotion of the product, an altered quantity discount scheme, elimination of customers in territories proved too thin to permit direct sale, and so on. There are literally scores of ways evident by which to minimize losses or increase profits, once it is possible to go over fairly precise facts on selling costs by individual (or groups of) products and customers.

The specific procedures followed in cost analysis are somewhat complex and technical; but they have been fairly well developed and tested. They are in use by scores of companies. The field is relatively new. It is somewhat expensive to develop a plan of cost analysis tailored to a particular company's requirements; but the returns are disproportionately great.

If a company is willing once in a while to spend some money toward real cost control, it is possible, by means of cost analysis, to appraise the effect of marketing policies upon the pattern of sales expense and profit. Thus, a

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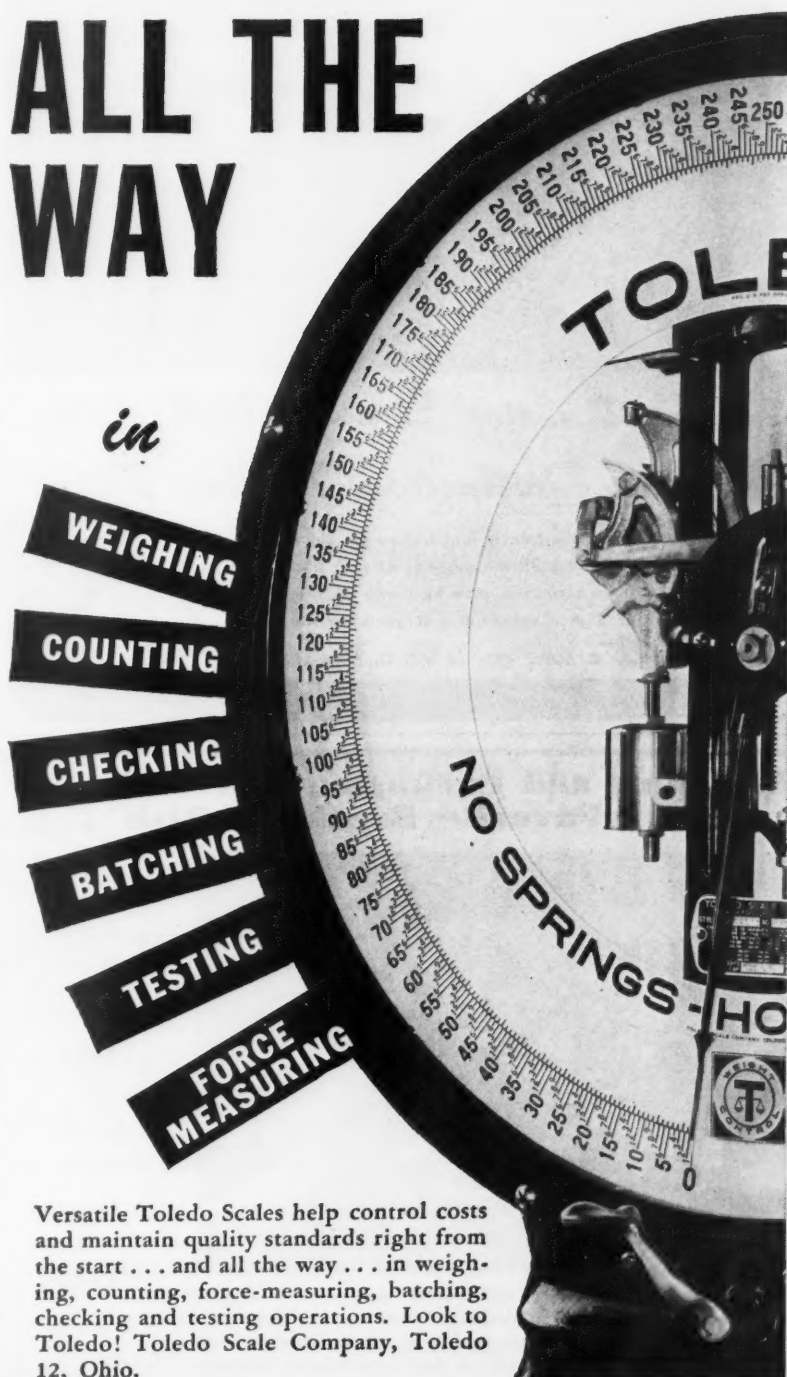
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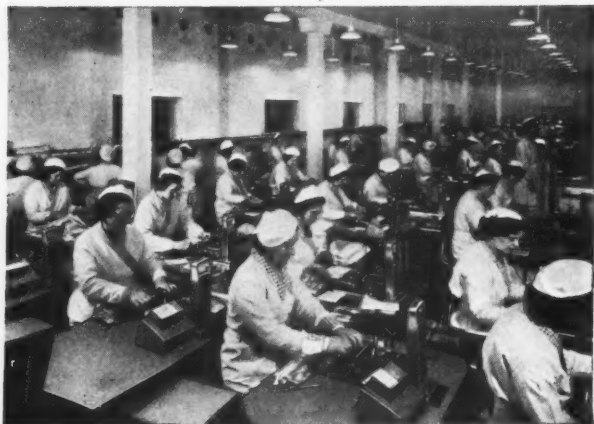
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retailer can compare the profits and the details of costs resulting from the sale of comparable sheets, some branded, some unbranded. A manufacturer can compare the cost and profit results of selling a product in different packages, or with different degrees of advertising support, or at different prices.

Again, the availability of profit and loss statements for individual customers permits a grouping of results whereby comparison can be made of costs and profits from sales to customers in different areas, or in different lines of trade (namely, hardware, appliance, variety, auto supply, and department stores).

Combine Two Techniques

Properly speaking, costs analysis is the complement of market research. The latter is designed to show the volume of sales income to be expected under different conditions, whereas the former provides detailed statements of the cost of marketing under such conditions. When the two techniques are effectively combined, they show how the probable optimum volume of sales can be attained with the maximum spread between gross profit and selling expense—the very definition of marketing efficiency previously suggested.

The study of marketing strategy, meanwhile, introduces a dynamic element. It is directed toward longer range adjustments of marketing policy, to economic and institutional changes. It points out the general character of the realignments which will be necessary, long before the more static market research and cost analysis techniques show up the need as immediate. It permits the company to anticipate general trends and so to take action well in advance of the competitor who waits for economic conditions and competitive developments to force changes upon him.

In general, the review of marketing strategy need be comprehensive only once every few years—for broad and deep alterations in the facts of our economic life are not quickly made. Market research and cost analysis work should be more frequently undertaken, if it is not carried on a small scale almost continuously, in order to provide a more detailed and a more specific current evidence of the effect of marketing

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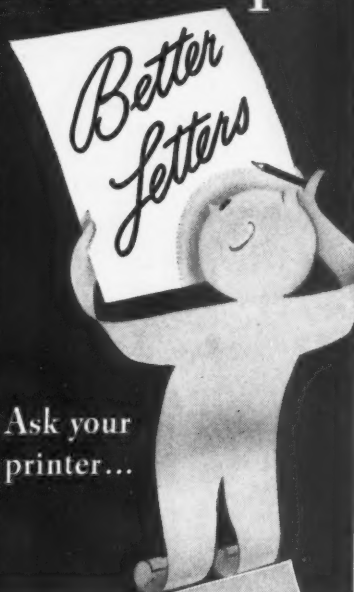
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policy upon sales, costs, and profits.

In summary, the control of distribution costs does not rest in an arbitrary review of a budget or a profit and loss statement and, without benefit of standards, in a decision to limit this expense or that to specific sums. Rather, it lies primarily in a cold and objective re-appraisal of marketing policy with the aid of (a) a study of marketing strategy, (b) the application of market research techniques, and (c) the use of cost analysis.

PRODUCTIVITY

(Continued from page 19)

of the labor force, modified to allow for wartime effects, indicate a labor force by 1950 of 62.5 million persons. Allowing 2 million for frictional unemployment and 1½ million for the armed forces, 59 million civilian jobs would be required for full employment in 1950.³

Many categories of employment (agriculture, self-employed, government employees, unpaid family workers and domestics) are relatively independent of production levels. Making separate estimates for these semi-autonomous components, it is estimated that full employment in 1950 would involve filling 39 million wage and salary jobs in private nonagricultural establishments.

Output Per Man-Hour—Total production depends not only on how many are working but also on average working hours and output per hour. In general it was assumed that pre-war working hours would prevail in 1950.

The past record on output per man-hour is one of fairly continuous small increases from year-to-year, attributable in the main to the influence of a large number of changes—technical developments, the accumulation of capital equipment, improvements in organization, better management, improved working and living conditions, the reduction in hours, and so on. On the basis of these past trends in output per man-hour, the level of output per man-hour in each of the industries was estimated for 1950. The estimates so

³ In part, because of definitional differences, substantially different estimates of the 1950 labor force have been used by various analysts. However, the critical factor is not the absolute size, but rather the percentage increase from the pre-war period, and on this the estimates are more nearly uniform.

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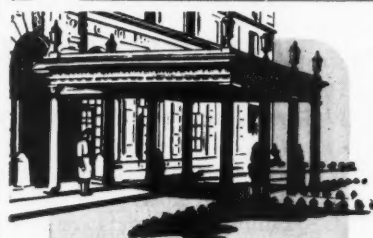
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derived vary considerably from industry-to-industry, but in most of the industries amount to increases of from 20 to 30 per cent over 1939. These increases are "conservative" in the sense that they are generally smaller than those which occurred during either of the decades between 1920 and 1940.

National Income and Its Distribution—It was assumed for convenience that wage rates in 1950 would be approximately 15 per cent above their level in May 1946.⁴ Together with the assumed levels of employment and working hours, this implies a total wage and salary income for 1950 of \$123 billion. On the basis of past relationships with other forms of income (earnings of farm proprietors, dividends, and interest, for example), this should correspond to a national income of \$185 billion, about \$20 billion above 1946.⁵

Government Revenue and Expenditures—The volume of Government revenue in 1950 will affect the levels at which the economy operates in 1950 in several respects. A relatively low level of Government expenditures was assumed, \$27 billion by the Federal Government and \$15 billion by State and local governments. At the assumed

levels of income, a tax structure differing but little from that prevailing before the war would yield sufficient revenue to meet these expenditures. All tax rates could be at or below their 1941 level.

Consumer Expenditure—Each of the foregoing estimates, as well as estimates of the level of prices (the basis for which is discussed in later paragraphs) is required to estimate the over-all level of consumer expenditure. Both the over-all level of expenditure and the specific level of expenditure for the products of each industry have been derived from an examination of the pattern of consumer expenditure at each level of income. This pattern varies considerably for the products of the different industries (see the table on this page). Expenditure for farm products accounts for a declining percentage of total expenditure as family income increases; for leather and leather products the proportion is almost constant, while for motor vehicles it increases quite rapidly. Similarly, it will depend upon the urban-rural composition of the population.

These data underscore the importance of specifying not only the over-all level of income, but also the number of families at each income level if we wish to estimate the volume of consumer expenditure for the products of each industry. It is quite clear changes in the distribution of income would have marked effects on the demand

⁴ The actual wage level assumed is not of critical importance for the present study. A higher level would give a higher national income figure, but would also increase the price level in which it is expressed. Since the dollar magnitudes involved in the study are later reduced to 1939 price levels, the effect on the final results of a different wage level assumption would be slight.

⁵ Readers may wish to compare these figures with estimates of future national income obtained in other studies, as summarized in the articles by Edwin B. George, *DUN'S REVIEW*, March, May, and June 1945.

FAMILY EXPENDITURES, BY INCOME GROUP
(Per Cent of Total Spent for Products of Selected Industries, 1941)

INDUSTRY	—URBAN FAMILIES—		—FARM FAMILIES—	
	\$1,000-1,500	\$3,000-5,000	\$1,000-1,500	\$3,000-5,000
Agriculture and Fishing	9.0	6.4	6.6	4.8
Food Processing	24.0	19.7	26.0	19.4
Motor Vehicles	1.5	6.0	4.2	19.2
Electrical Equipment	1.3	1.9	3.0	2.5
Petroleum Production and Refining	3.1	3.9	9.5	9.7
Coal Mining and Manufactured Solid Fuel	1.7	1.4	1.9	1.4
Manufactured Gas and Electric Power	2.8	2.3	2.5	3.0
Communications	0.7	1.0	0.8	0.6
Chemicals	2.7	2.1	2.3	2.2
Printing and Publishing	1.0	1.0	0.9	0.9
Apparel, Other Finished Textile Products	8.8	11.6	14.0	14.0
Leather and Leather Products	1.8	1.7	3.1	3.0
Rubber Products	0.6	0.5	1.8	1.2
Business and Personal Services	15.2	17.8	9.1	12.5
Eating and Drinking Places	5.0	5.6	1.8	2.7

The pattern of consumer expenditure for the products of each industry varies considerably at each level of income and according to the urban-rural composition of the population. To maintain a full employment economy, consumers would have to spend a significantly higher percentage of their income than in 1941.

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The pattern of consumer expenditure at each income level used was that actually prevailing in 1941, after adjustments, however, for the differing magnitudes of taxes and prices in 1950. On this basis, total consumer demand in 1950 would exceed its 1939 level by about one-half, even after removing the effects of higher prices. The increase naturally varies from industry-to-industry. The estimated demand for farm products increases by about one-fourth, for services by about one-half; while for motor vehicles it more than doubles.

Capital Goods Expenditures—In the light of a variety of considerations, it was estimated that in 1950 there would be more than a twofold increase over 1939 in expenditures for producers' durable equipment (after eliminating the effects of price change), a 90 per cent increase in non-government expenditures for construction, and a doubling of the physical volume of exports. A net annual inventory increase of \$2 billion was assumed.

Prices—It is customary in most studies of future levels of national income and demand to assume an arbitrary average level of prices in which to express the results. This procedure was not followed in the present study. The actual process of estimation involved is discussed elsewhere.⁶

The assumptions incorporated in the study imply a price level in 1950 approximately 30 to 35 per cent above that prevailing in 1939, or at roughly the level prevailing in the Summer of 1946. The present price level is, of course, somewhat higher, the chief reasons being the existence of higher taxes, higher profits and entrepreneurial income, and lower output per man-hour than has been assumed for 1950.

The Deficiency in Demand

The separate estimates for consumer, government, and business demand may be combined to yield the total demand for finished products on an industry-by-industry basis. Making use of the Leontief technique, the implied total levels of production for each industry may be computed. These results, to—

⁶ Wassily Leontief, "Wages, Profits, and Prices," *Quarterly Journal of Economics*, November 1946; also United States Bureau of Labor Statistics, *Appendix to Full Employment Patterns*, 1950, pages 29-31.

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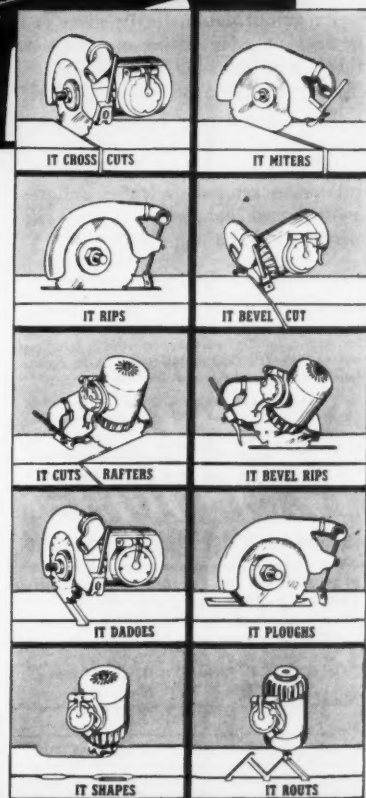
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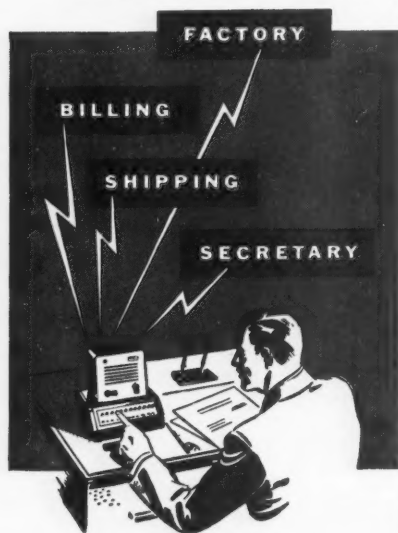
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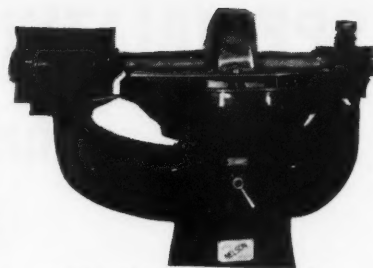
gether with the estimates of output per man-hour and average working hours previous derived, permit translation of the production requirements into employment terms. The level of employment so derived need not be equal, of course, to the level of employment with which the analysis started. The two would be equal only if the over-all level of expenditure obtained was in fact the exact amount required to produce full employment.

Actually, the analysis starts by assuming 39 million wage and salary jobs in non-agricultural industry. The computations indicate that the generated demand, based on pre-war institutional patterns, would require the employment of only 34 million persons. The level of final expenditure derived is therefore not high enough to yield full employment. Furthermore, the situation is sufficiently unbalanced so that, if the assumptions were in fact realized, a serious downward spiral might be initiated. This conclusion is not, of course, a forecast; it is a numerical indication of the fact that the estimates of final expenditure, high though they are, are not sufficiently high to provide full employment in 1950.

Estimates Do Not Apply Now

Many of the assumptions which lead to this conclusion for 1950 do not apply at the present time. Government expenditure, for example, has been at considerably higher levels than assumed; consumers are spending a higher percentage of their income than the pre-war pattern would indicate; demand for producers' durable equipment, new construction, exports, and inventories is reinforced by the shortages accumulated during the war years; productivity is at lower levels than has been estimated for 1950.

The assumptions are likely to become increasingly realistic with the passage of time, however. Productivity will increase; accumulated demand will be satisfied; government expenditures will drop. Unless some change not embodied in the original assumptions is introduced into the picture, the purely hypothetical results obtained may therefore approach reality. Whether an acute problem is likely to arise in 1947, 1950, or 1955 cannot be decided on the basis of the present



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MERREM & LA PORTE, N. V., Amsterdam. Technical office since 1870. General importers and exporters. Iron and steel, non-ferrous metals, technical goods.

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For publicity in Holland, three leading magazines: "Moeder & Kind"—"Victorie"—"Film & Theater." Publ. Cy. "De Internationale Pers." Heeren-gracht 545-549, Amsterdam-C.

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V. S. OHMSTEDE, Paulus Potterstraat, Amsterdam. Importers of tool-machinery seeks agencies for lathes, milling-machines, shapers, automatic lathes, grinders. Buying on own account, exhibiting national Dutch fair March 1947.

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analysis. It is a fair inference, nevertheless, that the present favorable levels of employment and production should not lead to complacency with respect to the future.

Two Full Employment Models

Clearly, full employment in 1950 can be achieved by raising the level of expenditure by final purchasers. Only a departure from pre-war patterns of demand, with increased spending by consumers, government, or business would accomplish this purpose. There is, of course, no unique way of increasing the level of demand to provide full employment.

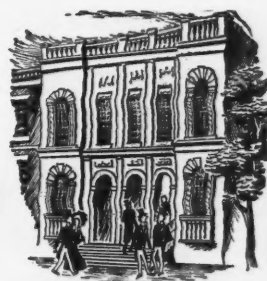
Two models have been constructed to point up the possibilities and to obtain statistical pictures of output and employment in the different industries under alternative full employment conditions. One is obtained by raising the level of consumer expenditure by the amount necessary to yield full employment, but holding all other forms of spending at previously estimated levels. This model is called the consumption model. The second is obtained by raising expenditure for capital goods by the amount necessary to yield full employment but holding all other forms of spending at previously estimated levels. This is called the investment model. Each method is an extreme, but the contrast between them also permits judgments regarding intermediate possibilities.

Increased Consumer Expenditure—

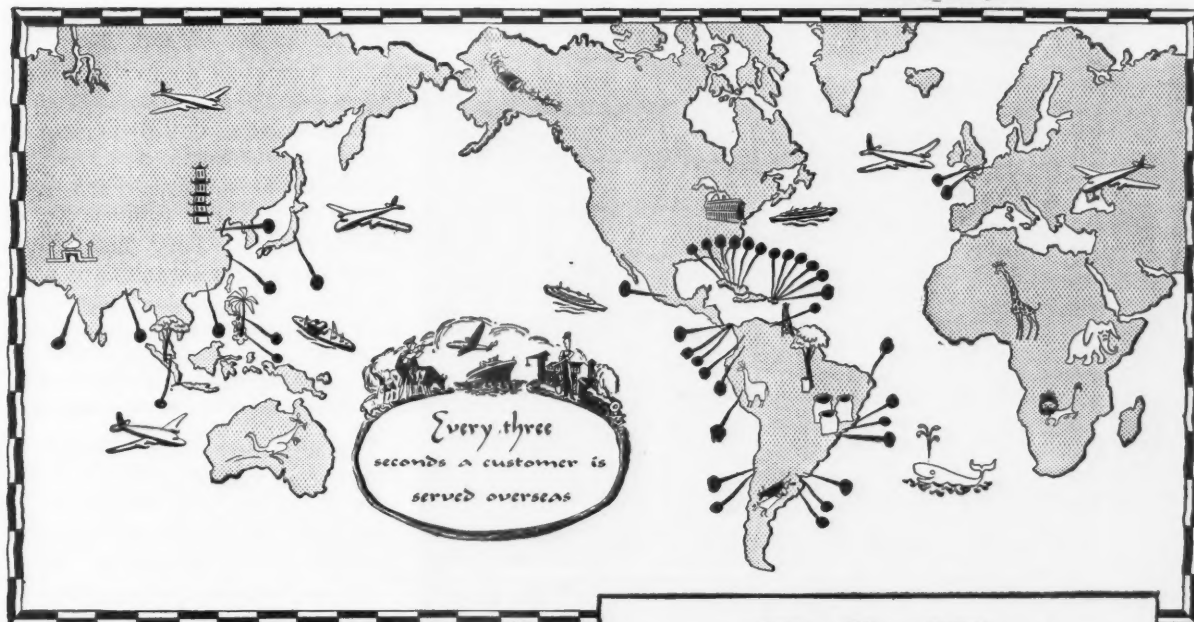
To provide full employment by means of an increase in consumer expenditure alone, it would be necessary for spending to increase by about 20 per cent, with no corresponding increase in national income. In practise, this might mean that persons at each income level would spend 20 per cent more in 1950 than at the same income level in 1941. The magnitude of this increase is perhaps best indicated by the fact that for urban families such an increase would involve raising the "break-even" point (the point at which income and expenditures are equal) from the \$1,250 prevailing in 1941 to more than \$3,500. Changes in this direction, although certainly not of this magnitude, have occurred in the past—most recently, during the reconversion period.

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drastic a change could occur, the results yielded by the model are nevertheless useful in providing an indication of the probable maximum level of demand under full employment conditions for industries producing consumer goods, and the probable minimum level of demand for industries producing capital goods, construction, and export goods.

Increased Investment Expenditure—

The over-all increase in investment required if full employment were to be achieved by this means alone would be 52 per cent above the level previously estimated. Construction activity under this assumption would be increased by another two-thirds; expenditure for producer durable goods would be increased by well over half, and exports by about 20 per cent. At best, this model could represent only an economy at the peak of a capital goods boom, not one in which full employment would be long sustained.

Required Levels of Output

Either model involves an enormous increase in industrial production over pre-war levels. The over-all increase is the same for both models, 82 per cent over 1939. The impact of each on the separate industries is quite different, however (see table on page 18). Thus, for the consumption model, an increase in output of two-thirds is required of agriculture; under the investment model, one-half. On the other hand, the consumption model requires a two-fold increase in the output of machine tools; the investment model, a three-fold increase.

Either model, standing by itself, is most improbable. If full employment is actually achieved in 1950, it is likely to come about through some intermediate situation representing more moderate increases in both consumer and investment demand. Higher exports and higher government expenditures than previously assumed high also play a part. Examination of the table on page 18 clearly shows that the probable balancing point between the models, while it may be of little significance to some industries, might represent major changes in production levels to others.

In most industries the required levels of output for 1950 exceed any previous

production peaks. This is true not merely for those consumers' goods industries whose output was restricted during the war, but also for industries producing commodities commonly regarded as the sinews of war. It was frequently assumed during the war period that the enormous magnitude of the war production effort would thrust us into the peacetime period with surplus capacity in most industries. These results suggest an opposite conclusion. A serious deficiency in industrial capacity may develop within a few years unless a very substantial volume of capital formation occurs in the intervening period. The relation of these results to the problem of industrial capacity is discussed in an article which appears in the next issue of *Dun's Review*.

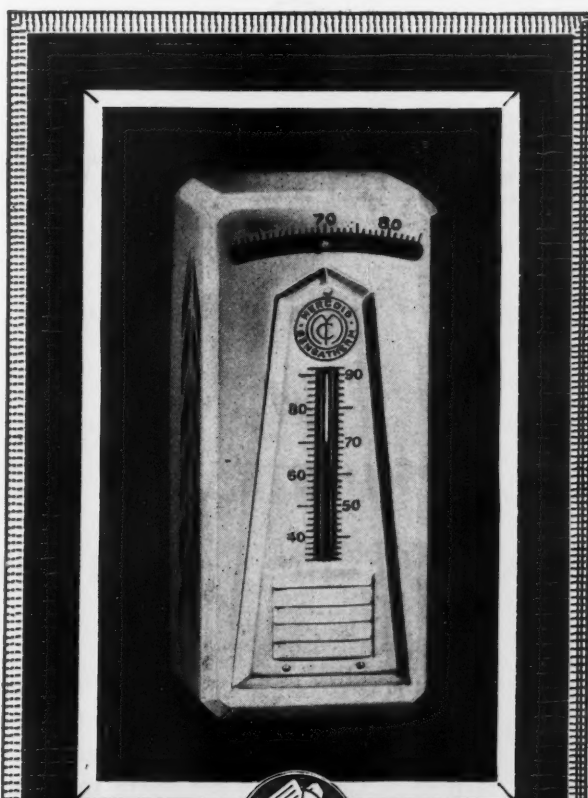
Value of Objective

It is abundantly clear that, while full employment may be difficult to achieve, it can make possible a diffusion of benefits to all groups in the economy. Potentially at least, it can represent a high level of profits after taxes and a high level of wage and salary payments, without increase of prices from present levels.

Similarly, government may in the future be able to supply all necessary services and finance those additional expenditures which are a necessary aftermath of the war without advancing pre-war tax rates. Nor should the effects of high levels of domestic demand for imported goods on the stability of world markets and on reversing pre-war trends toward national self-sufficiency be underestimated in any way whatsoever.

A necessary condition for the progressive industrialization of the undeveloped countries of the world is a high level of international trade, which in turn cannot be attained in the absence of substantially full employment in this country. It is now generally accepted that world economic security is an important factor in preserving world peace.

There can be legitimate differences on how the problems involved in maintaining full employment should be solved, but there can be no basic difference of opinion on the value of the objective itself.



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Holders desiring to receive such advance payment should promptly forward their Debentures to The Chase National Bank of the City of New York, 11 Broad Street, New York 15, N. Y.

Notice of the Redemption as required by the terms of the Indenture is being published and this announcement is made in the interest of those holders who may not see such legal notice and who may wish to take advantage of the Company's offer to make immediate payment with interest to July 28, 1947.

This Redemption out of treasury funds, together with the redemption of \$35,000,000 of Debentures in June of last year, completes the retirement of the entire issue of \$118,115,600 of 5% Debentures due in 1950, which was sold in 1930.

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New York 5, N. Y.

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This work was a mutual endeavor. No one person or organization can take the credit for it, which is typical of modern industry. A great many of today's products are so complex in conception, design, and manufacture that it is probably safe to say that no man or company can possibly have all the knowledge required to cure the various troubles that so often beset a business. It becomes necessary to call in outsiders having specialized experience, and for a time to make them insiders.

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quired while working with customers, but their general fund of knowledge and experience is invaluable, and usually heightened by a fresh viewpoint.

Revere is not the only one to welcome trouble as an introduction and a challenge, not the only one with an open mind as well as an informed one, not the only one ready to question the customary and find new answers to new problems. So if you are a manufacturer seeking answers to difficult questions, searching for ways to make better products, more quickly and economically, I suggest you introduce your industry's suppliers to your difficulties, and ask their cooperation.

Donald Dallas

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DUN'S REVIEW

290 BROADWAY NEW YORK 8, N. Y.

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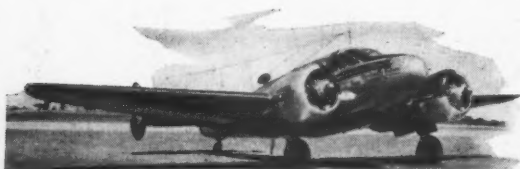
They dip their wings as they pass by

Two groups of business executives in their companies' Beechcraft Executive Transports pass each other along the highway of the sky. One plane carries men from a great rubber company on their way to Detroit for a 2 o'clock conference with motor officials. They'll be home in time for dinner. The other Beechcraft carries mining men from the west en route to New York. They've saved exactly a week of man-days since a leisurely departure from their office this morning.


And along all this limitless right-of-way, other Beechcraft Model 18's are solving the problems of other

companies in getting executives from where they are to where they want to go . . . in the shortest space of time, in the greatest possible comfort, at the lowest possible cost.

Your nearest Beechcraft distributor is prepared with facts and figures to help you appraise company-owned air transportation in the light of your own transportation needs. He welcomes the opportunity to demonstrate to you the new Beechcraft Model 18 Executive Transport, in daily use by nearly 400 companies in the United States. Beechcraft distributors are located in key cities across the U. S. A.



Beech Aircraft

CORPORATION  WICHITA, KANSAS, U. S. A.

